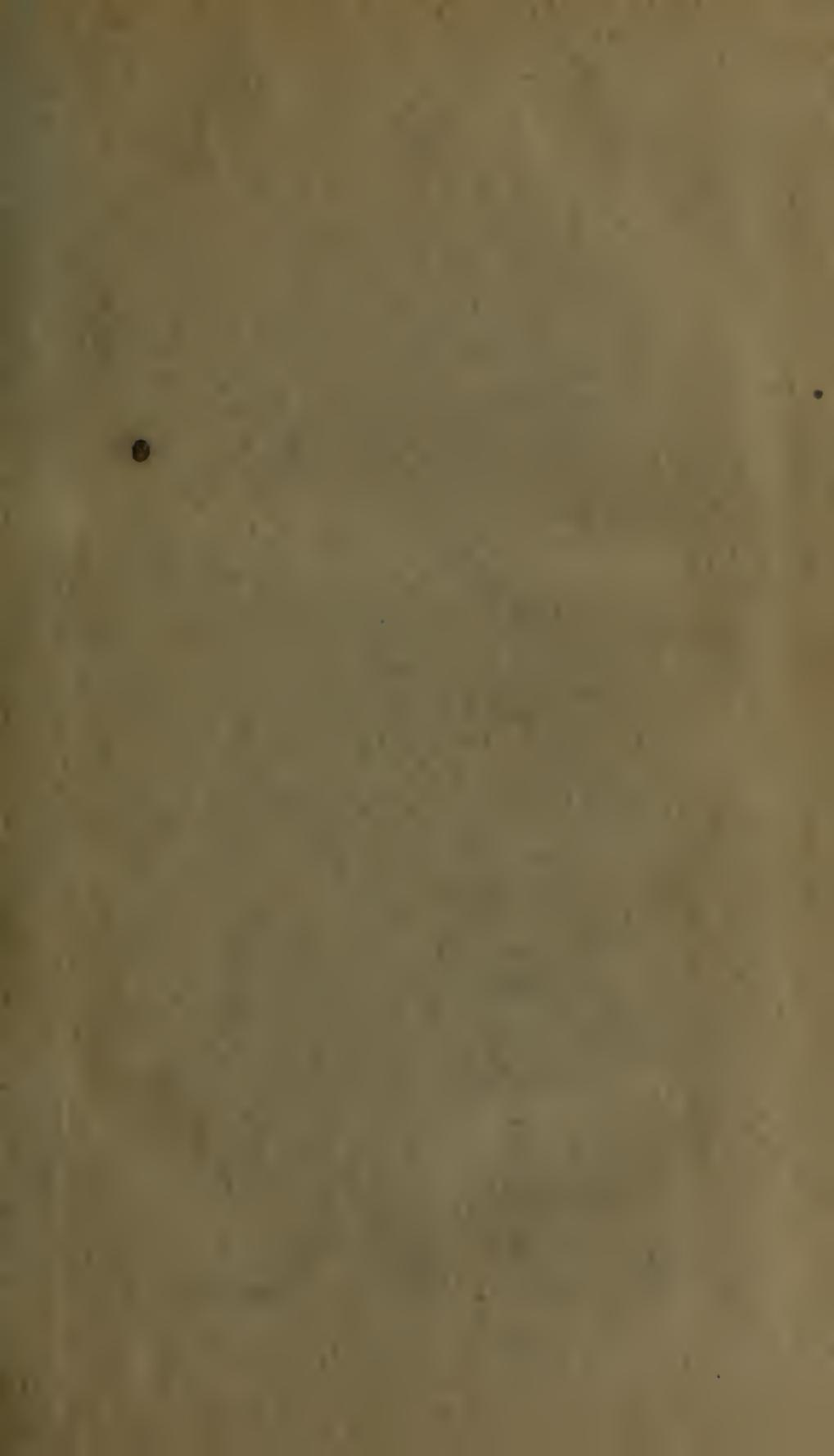
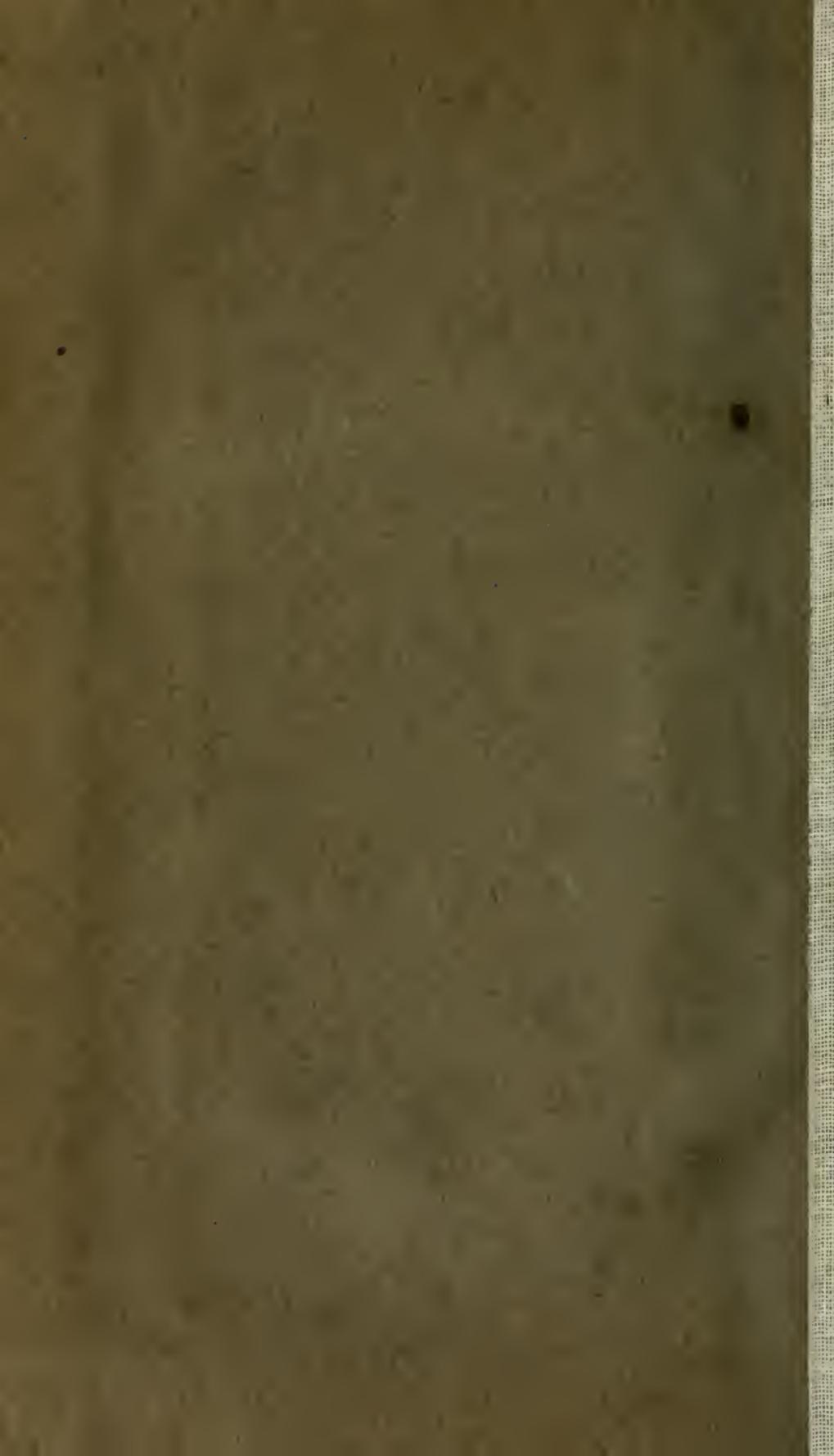


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ECONOMICS





3

AN ESSAY

ON

THE GENERAL PRINCIPLES AND PRESENT PRACTICE

OF

BANKING,

IN

England and Scotland:

WITH

SUPPLEMENTARY OBSERVATIONS

ON

THE STEPS PROPER TO FORM

A PUBLIC BANK,

AND THE SYSTEM ON WHICH ITS ACCOUNTS OUGHT
TO BE KEPT.



BY T. JOPLIN.

SIXTH EDITION.

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ERRATUM.

For “ Abstract of the Deed of Settlement of the Huddersfield Banking Company,” read “ Abstract of the proposed Deed, &c.”—At a general meeting of the Shareholders, called to consider and adopt it, some of its clauses were altered. These alterations were made too late for insertion in this edition.

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PREFACE

TO THE SIXTH EDITION.

HOWEVER much the late panic, and failures amongst our Banking Establishments, may have impressed us with a conviction of some radical defect in their constitution which requires amending, the evil has been long known, and a remedy for it was as obviously necessary thirty years ago, as at present. The failures which took place in 1793 were, in proportion to the number of Banks, twice as numerous, and the evils they generated more distressing, than those which we witnessed in 1826; and, since that period, in addition to the constant breaking up of individual Establishments, which necessarily produced local ruin in the districts where they were situated, the panics and failures in 1810, 1812, 1814, 1815, and 1816, were palpable and fatal proofs of the dangerous insecurity of the system.

To remedy this insecurity, different plans were suggested. In 1818, Mr. Vansittart (Lord Bexley) then Chancellor of the Exchequer, brought in a Bill (which, from the opposition it met with, was withdrawn) to compel Bankers to give security for their Notes. But, until the year 1821, Government does not appear, from any printed record, to have been aware that the general system of Banking was better in Scotland, than in England and Ireland, and that the insecurity of their Banks

might be traced to the Charters of their two great national Establishments, which limited the number of partners in other Banking Companies to six.

In that year, however, an Act was passed, to alter the Charter of the Bank of Ireland, and permit a greater number of partners in Banks established not less than fifty miles from Dublin.

But the suggestion of a remedy is not sufficient to secure its approval. It must be understood before it can be adopted; and this was not the case with the remedy proposed. The alteration of the Charter of the Bank of Ireland, came before the public in so naked a shape, and so totally unaccompanied by any explanation of its principles, that its application to the necessities of this country was entirely unfelt, and the circumstance passed over almost unnoticed, either in Ireland or England.

Such was the want of information, and state of apathy, with regard to any practical improvement in our Banking system, when, in the commencement of 1822, the Author was led to publish the following Pamphlet. The object of it was, to recommend an alteration of the Charter of the Bank of England; to give such an analysis of the Scotch system of Banking, by Joint Stock Companies, as should induce the public to establish them, notwithstanding the prejudices against Banks, which the ruin and misery they had so repeatedly brought upon those connected with them in this country had caused; and, in particular, to recommend that one should be formed in Newcastle-upon-Tyne, and neighbouring towns.

Dry details of business, however important the subject, contain few elements of attraction. Their introduc-

tion, moreover, to public attention, involves no ordinary difficulties, when they war with established usage. Novelty is always suspicious ; and when improvement has to contend with abuse, sanctioned by existing interests, it is not only strange, but unwelcome. With this conviction, the Author did not suppose that his Pamphlet contained discoveries so captivating or palatable as a tale of travels, or a work of fiction. His views were plain matters of business ; and his object, however unprofitable it might be to him as an Author, was to have the Pamphlet rather *read* than *sold*. When, therefore, it appears to have run through *five* editions, the circumstance must be imputed to his industry rather than to his talents ; it does not speak so much for the merit of the work, as for the Author's perseverance in promulgating its principles *.

His first step was to distribute it among the leading people of Newcastle, Durham, Shields, Sunderland, Manchester, and Liverpool. The influence of the existing Banks so far preponderated, that the only meetings which assembled to consider the project, occurred in Liverpool and the county of Durham. Some of the leading merchants of the former place memorialized Ministers ; and in the latter, which had suffered much by Bank failures, a meeting was held, at which the Right Honourable Lord Barrington presided, and resolutions were passed declaratory of opinions in favour of the Author's principles. Any further steps, however, were relinquished at that time, in consequence of Ministers having taken up the subject, and abandoned it. Government was desirous of adopting some plan for ex-

* The Author has distributed above two thousand copies.

tending the circulation of the country, with a view to relieve the distresses of the agriculturists, which were then great ; and proposed an alteration of the Bank Charter, similar to that subsequently passed in 1826, in order to permit the establishment of Joint Stock Banking Companies. They expected that these Banks would have been set up immediately, for an immediate relief was requisite ; and some of the Author's friends, who had the opportunity of possessing good information on the subject, have flattered him that Ministers looked to the general diffusion of the information contained in his Pamphlet, for carrying their views, as regarded the practical formation of these Establishments, into effect. Their intention was, however, defeated by the opposition the measure was likely to encounter in Parliament.

The Author's assiduity was not damped by this untoward event ; being assured, from different quarters, that Government only waited for the sanction of public opinion, and a proper opportunity, in order to renew the measure, he persevered in his original purpose *. This, he thought, he could promote by an explanation of his views on the more abstract question of the currency ; and he wrote a

* The Quarterly Review is considered on these subjects to be the organ of Government ; and in an article in which there does not seem any strong disposition to waste unnecessary compliments upon the Author, speaking of the Pamphlet, it observes as follows :—“ Mr. Joplin, it appears, is an inhabitant of Newcastle-upon-Tyne ; as the neighbouring district had often very severely suffered from the failure of Banks, his attention was powerfully called to the subject, and having, as he conceived, discovered a prevention of such calamities in future, he very properly communicated his opinions to the public, in a clear and forcible representation of the evils experienced from the present system of Provincial Banks, and of the remedies that ought to be adopted.” No. 31, p. 143.

work on it, which he published in 1823 *. The principles of this work will be found in a Petition to the House of Commons, given in the Appendix, p. 193. In it he proposed a plan for the government of the currency, which involved the establishment of Joint Stock Banking Companies. This was the first plan, of a comprehensive nature, which had been proposed for regulating the currency. He also, in the same year, inserted in *The Courier* a series of Letters, under the signature of "An Economist," in support of it. These he afterwards threw into the form of a Pamphlet, and re-published them in October, 1825 †. He has since published another Pamphlet on the same subject ‡; and he has had the satisfaction to know that these works have not been without their effect.

They were intended to suggest additional reasons for altering the Bank Charter, and placing the Country Banks upon a more stable footing, by pointing out the important effect which the Country Bank circulation, and every thing affecting it, has upon the prices of corn and other commodities—an effect which had previously been, in a great measure, overlooked. But these reasons were, of course, intended to operate upon members of the Legislature, and Government, who are obliged to give attention to these more recondite positions. The public at large have no taste for them: with them an example is worth a multitude of precepts. The establishment of any one Bank would do more to arouse public attention to the subject, than the most elaborate disquisitions.

This the Author thought practicable; and, in 1824,

* Outlines of a System of Political Economy.

† Illustration of Joplin's Views on Currency, in a Series of Letters.

‡ Views on Corn and Currency.

proposed the formation of a Bank, with £3,000,000. of capital, to be established in London, without an alteration of the Bank Charter, upon the principles pointed out in the Prospectus (Appendix, p. 150). But before the plan was matured, he was induced, at the instance of some leading capitalists in the city, to turn his attention to, and engage the assistance of his friends in, forming a Bank in London, to transact business in the provincial parts of Ireland. For this purpose the Author proposed a plan, which was adopted, with modifications, (for which see the Prospectus, Appendix, page 152), and, under the title of "The Provincial Bank of Ireland," it was carried into effect. The arrangements for this undertaking were well made, and it has proved successful. The first year it was in practical operation—which is always a bad year for a Bank, inasmuch as the profits are much less, and the expences greater, than in other years—it paid a dividend of four per cent., and laid up towards a reserved fund £14,700.

By these different means, a knowledge of the Scotch system of Banking became more generally diffused; and when the panic of December, 1825, gave another of those tremendous proofs of the instability of the existing system, which had before been so repeatedly afforded, without any measures being adopted for its practical improvement, Ministers found no difficulty in obtaining the consent of the Bank, and passing an act similar to that proposed in 1822, to alter the Charter of the Bank of England.

It will not be supposed that, in spending his time, his talents, and his money, in promoting, not the religious or moral good of the nation, which would be its own reward, but its pecuniary interests,—in suggesting

plans by which individuals might make money, and the public be saved from the loss of it,—the Author did not look to the possibility of participating, in some degree, in the advantages which others would derive from carrying them into effect.

On the establishment of the Provincial Bank of Ireland, therefore, he accepted the situation of its chief officer—an appointment with which he had every reason to be satisfied, both from the success of the undertaking, and the agreeable connexion in which it placed him with its able and most respectable Board of Directors. But on the alteration of the Charter of the Bank of England, not doubting that the respectable men, who will in general be at the head of the Joint Stock Banking Companies which will in consequence be formed, would feel themselves called upon to acknowledge, in any reasonable manner, those exertions he has devoted to promoting their establishment, provided an opportunity of doing so was afforded them, he made arrangements for conducting the Stock Exchange business of these Companies; and, for this purpose, resigned his situation in the Provincial Bank of Ireland.

Every Bank has purchases and sales of stock to make either on its own account, or that of its customers, and though the business of each Bank should be limited, if the Authors views be realized, their aggregate business will be valuable, and prove a handsome compensation for the time and money he has spent, as well as hold out an inducement for his continuing to persevere, in promoting their more general formation.

Thus they will be able to make such acknowledgement, without any cost to themselves. Nor will it be at the expence of any other party. The usual course is,

for the Country Bank to send its orders for any purchases or sales of stock it may wish made, either on its own account or that of its customers, to its London Bankers ; they give the order to the stock-broker ; he does the business, charges an eighth per cent. commission for doing it, and divides his commission with the London Banker.

The Author does not propose that this course of proceeding should be in the least altered ; he does not wish to deprive the London Bankers of what they may consider their legitimate profits ; he only wishes for the business on the usual terms ; and that, too, provided the arrangement he has made is such as to render him as competent, in every respect, to transact it as any other stock-broker.

In consequence of the distance of most of the Country Bankers from London, and their want of knowledge of persons on the Stock Exchange, it has been customary to leave the London Bankers to employ what stock-broker they pleased ; they, in consequence, have usually employed those who kept their Banking accounts with them, and to whom they were under obligations. But many Country Bankers have, of late, found it their interest to nominate their own stock-broker. The business he has to do for them is frequently important, and it is desirable they should know something of him, in order that they may correspond with him when they have any considerable investments to make. Besides this, the London Bankers have no interest, as to whether the business is done well or ill, to guide them in their appointment of a broker, and are, likewise, the only proper checks upon him, — they are the only parties that can say, with accuracy, whether the business be well

done or not. This judgment they are less likely to pronounce freely against a party of their own appointing, to whom they are under obligations, than against a party appointed independent of them. This, at least, would be the opinions of the brokers themselves; which is the point to be gained, where we must suppose fraud, in either case, out of the question, and where a difference in the pains and attention given to the business is the object to be secured.

In arranging the system of checks for the London business, it is the duty of every country Bank to nominate its own broker, as much as to appoint any other agent. Nor can it be for a moment conceived, that, in strictness of principle, it would be correct in the Directors of a Public Bank, to exclusively delegate the appointment of an agent to third persons, though it may hitherto have been sanctioned by practice. In soliciting the appointment of stock-broker to these Companies, therefore, the Author solicits nothing unusual, or contrary to their best interests.

Hence he trusts he has made it appear, that he had the good fortune to be the first to call public attention to the subject of Joint Stock Banking Companies; that he succeeded in forming the first Bank, instituted upon the principles recommended by him; that he has persevered through several years, at a considerable expence, under discouraging circumstances, in assisting to bring about that alteration of the Bank Charter, which has been effected, and that he has, therefore, a reasonable claim upon each Joint Stock Banking Company that may be established; and finally, that he has in consequence made a claim, which they can grant without cost to themselves, while it must naturally afford him an inducement to con-

tinue his humble efforts to render himself useful to the public, in endeavouring to promote an extension of the system of banking he has recommended.

This being the case, and relying besides on that love of justice and liberality of principle which is better pleased to magnify than to diminish the value of an obligation, rather than on his own merits, the Author trusts he is not indulging in a visionary hope when he cherishes the belief that his expectations will not be disappointed.

That this, however, will be the case in every instance he must not venture to calculate upon. In the minds of many persons, otherwise fit for Bank Directors, obligations not enforced by law are little thought of. It is only with men of high character and great moral integrity, that a moral obligation possesses the force of a legal one. Such men would, no doubt, scorn the idea of taking the benefit of any one's labours, whether personal or mental, without acknowledgment, or without that proper acknowledgment which may be claimed without compromising the respectability of the party making it, as well as be granted without injury to the Bank. But should a Board of Directors have no men of this stamp amongst them, they may not intend to do anything very wrong, yet merely from an indifference as to what is right, be disposed to set aside the Author's claim, upon any slight reason that might happen to present itself. The Author has no fear that instances of this kind will be frequent, though they must be expected. When they do occur, however, he is willing to hope that whatever opinion may otherwise be entertained of them, they will not be thought, in any case, examples proper to be followed.

He has only further to add, that the connexion he has formed on the Stock Exchange is so very satisfac-

tory, as to leave him at perfect liberty to give his assistance in the formation of any Bank that may need it. This he will be happy to do, without any other reward than that which he has ventured to claim for his past services, and to which, he will be most happy to add any other that he can render *.

With this latter view, he has added to the following Pamphlet a Treatise on Banker's Book-keeping. Hardly any English Banks keep their books on right principles, and hardly any of the Scotch Banks have their systems so perfect as they might be; and very few accountants understand the theory of their own practice. This arises from a want of published information on the subject. There are no treatises on Banker's booking extant; and each Bank is reduced to the necessity of perfecting its own system by its own experience. The consequence is, that, for want of more general and comprehensive views, every accountant is led to entertain an overweening opinion of the system to which he has been accustomed, and is often as much wedded to the defects as the merits of it. This want the Author has attempted briefly to supply, by endeavouring to reduce Banker's book-keeping to its elements; and he has reason to know, that any intelligent accountant will be able to arrange a proper system of accounts from the sketch he has given; and such a system as the Directors will be able to understand, as well as the accountant.

The Author has likewise added a dissertation, or rather digression, on the means of preventing forgery, which may be useful, though he has gone further into

* The Author will thus, it is probable, be frequently out of town; but any communications addressed to Mr. Charles T. Pearce, No. 3, Bartholomew-lane, will receive immediate attention.

the question than was necessary for the information of the Directors of Banks. He has also given some explanations with regard to the two Joint Stock Companies that, since the first publication of this Pamphlet, have stopped payment in Scotland. He has further endeavoured to point out those principles which render the granting of Charters to limit the responsibility of Shareholders in Banks a sounder system of legislation than the present one: a view of the subject which, it is probable, may have been entertained by Ministers, as they are favourable to granting Charters, but which has not before been given in any way to the public. He has, on the other hand, shown that the responsibility of the Shareholders in Banks may be effectually limited, if they think proper, by regulations of their own; and to this he has added other information in the Supplement and Appendix, which he hopes will be found useful.

AN

ESSAY ON BANKING.

BANKS are by far the most important of all our commercial establishments. They are the fountains of our currency, the depositories of our capital, and at once the wheels and pillars of our trade. Business to any great extent could not be carried on without them. All who have cash transactions of any kind are more or less dependent upon them. The landed proprietor finds them a convenient place of deposit for the ready money he possesses, or a useful resource in case of need. The capitalist, when he deems them safe, can lodge his money with them, receive interest for it, and have it ready when the chances of trade or changes of property may throw a desirable purchase in his way. Merchants and traders of every denomination are enabled through them to send money to, and receive it from the most distant places, to raise money when in want of it upon the Bills which they receive from their customers,

to have those Bills presented for payment through a channel which in general secures their being duly honoured, and to deposit in them those sums which any particular occasion, or the current demands of their business require. Their Promissory Notes, also, furnish the country with a useful and convenient circulating medium, and are in the hands of every one.

They are, therefore, intimately connected with every class of society. Every person who has any thing to do either with capital or money is interested in their stability. But the capitalist, merchant, manufacturer, and tradesman, and all who have large payments to make and receive, are continually under the necessity of trusting them in amounts, the loss of which might prove their utter ruin. They have besides daily to confide in them for the negotiation of Bills and advances of capital, which, in commercial transactions, are continually required.

On this account, a very deep interest is felt in the welfare of Banks. Nothing can in any way affect them without exciting the immediate attention of the public, and (if it involve their credit) without producing the greatest possible agitation and alarm. Thus when the slightest apprehension is entertained respecting their solvency, however groundless it may

sometimes prove, a run upon them immediately takes place. That is, hundreds of people immediately crowd the doors of the Banks, to demand payment of the Notes they hold, or to withdraw that money out of their hands, which they have deposited with them. This puts a stop to their usual Banking operations. People in trade cannot receive that accommodation upon which they have relied, upon which the regularity of their payments, and, consequently, upon which their credit, depends ; and no person can take their Bills upon London, for the purpose of remitting money to meet their engagements at a distance (the only mode by which they can make such remittances), without placing their money in a state of peril, which they cannot ascertain to be groundless, until the run upon them is over. All is, therefore, confusion ; and the whole community is thrown into a state of apprehension and alarm, which may be better conceived than described.

Upon such occasions the greatest exertions are always made to allay the fears, and restore the confidence of the public ; and very great risks are sometimes run in doing so. It is not unusual for the friends of a Bank so situated, to issue out Bills or Notices, pledging themselves to the public, to take its Notes in payment, to any amount. By this measure,

should the Bank happen to fail, many of them would necessarily be ruined. Within these few years, pledges of this kind were repeatedly issued in favour of the Durham, Stockton, and Sunderland Banks, all of whom ultimately failed. As, however, these pledges were not attended with any serious consequences, to those who issued them, it is probable that the Banks did not stop payment immediately when they were issued, or otherwise the public must have overlooked the obligation contracted, and, from inadvertency, not have called upon the parties to redeem the pledge they had given.

We may, however, form some idea of the inconveniences in which the mercantile world are involved, when people are found wandering so far out of the track of ordinary prudence as to guarantee the security of establishments with whose affairs they have no intimate acquaintance, and whose insolvency would involve them in certain destruction.

Nothing, in fact, can affect the credit of the Banks without being immediately felt in a corresponding degree by the public; and the actual stoppage of an extensive Banking concern deranges the whole frame of mercantile affairs, and carries confusion, misery, and ruin, into every department of society.

Great, however, as the inconveniences are which the discredit of Banks, and consequent

runs upon them occasion : and great as are the calamities by which their failures are uniformly attended, they have been, both in this country and Ireland, of very common occurrence.

By an account printed in the appendix to the Lords' Report upon the Bank resuming Cash Payments, it appears, that in seven years, viz. from 1810 to 1816 inclusive, no fewer than one hundred and forty-seven commissions of bankruptcy had been issued against Country Banks alone, and in thirty years nearly three hundred ; an average of failures, proportioned to the total number of these establishments, in all probability far exceeding that of any other regular business.

Sometimes, as if epidemically, the Banks of a whole district fail together, as was the case a year or two ago, in the south of Ireland.* That part of the country was, in consequence, involved in the greatest distress ; its trade was materially injured, and a shock given to its prosperity, from which it is said not yet to have recovered. The same event happened also in the counties of Northumberland and Durham a few years back, when the Durham, Sunderland, and Stockton Banks failed within a short time of each other. This district, however, was better able to endure it, though the inconveni-

* This was written in the latter part of the year 1821.

ences generally felt were great, and the sufferers numerous. Even in this town, to which the evil but partially extended, the want of confidence and the general state of alarm which it produced, must be fresh in the recollection of every one.

Now, while England and Ireland are continually subject to disasters of this kind, it seems an extraordinary fact, that Scotland is totally free from them: the Scotch Banks rarely, if ever, either failing or losing money.

No one, I dare say, will, from this, imagine, that there is any thing different in the nature of their money transactions, or that trade is subject to fewer vicissitudes in Scotland than with us. I believe that trade is pretty much the same in both nations, or if there is any difference, that the merchants of Scotland are the more speculative, and less stable of the two. But the true cause of the difference is to be found in the nature of their respective Banking Establishments: the Scotch Banks being Joint Stock Companies, while the English Banks are private partnerships.

The Scotch Banks consist of a great number of Proprietors or Stock Holders, who contribute, some to the extent of one hundred pounds, some of a thousand, and some of many thousands. By these means they form a joint capital, establish a Bank, and entrust the ma-

nagement of it to a Committee chosen from their body, called a Court of Directors. The English Banks, on the contrary, never consist of more than six partners, though often fewer, and are for the most part, managed by one, or at the furthest by two of them.

To the uniform success of Joint Stock Banking Companies, history affords but one exception, viz.:—The case of the Douglass, Herron, and Co. (or Ayr) Bank, some account of which is given by Smith, page 58, vol. 2d, of his *Wealth of Nations*. If, however, we examine the circumstances which produced that failure, we shall find it attributable to causes which are not likely again to occur, and that as an exception, it merely establishes the rule.

About fifty years ago, this Bank was formed in the West of Scotland, by a number of country gentlemen, totally ignorant of business, and entertaining erroneous views of Banking. Their object was not to make money, but to furnish capital, (which was then scarce), to the country at large, in order to promote and improve the cultivation of land, &c. This they imagined could be done by means of a few reams of paper, manufactured into Notes. They were unable to see that it was not in the power of any Bank to keep more than a given amount of Notes in circulation at any one time, and that

the surplus would inevitably be returned upon them for re-payment. Conformably to the object of its establishment, the Bank therefore issued its Notes, with great freedom, in permanent loans, which were immediately expended in agricultural improvements, and when they were returned for payment (having been issued in advances which could not be recalled) it had nothing to pay them with; and was compelled, in a short time, to raise money by improvident expedients, at eight or ten per cent. when it had lent it out to others at five. Such a mode of business was not likely, of course, to be long pursued. The Bank came to a stand in about two years, its proprietors lost money, and it now remains the only exception to the success of such concerns.

It must, however, be understood, that the uniform success of the Scotch Banks, applies only to the Joint Stock Companies. Private Bankers fail in Scotland, as well as in other places. The Private Banks in Scotland, however, are but few, and only one or two of them at present issue Notes. They keep the accounts of individuals, and transact business with the Public Banks in the same manner as the Bankers of London transact it with the Bank of England. But the credit requisite even to Private Banks is much greater in Scotland than with

us, in consequence of their having to compete with establishments of superior stability, which do business upon the same terms.

The only Bank failures, however, that I have heard of in Scotland, with the exception of the Ayr Bank already spoken of, are the Merchant Banking Company of Sterling, Grace's Bank of Dumfries, and the Falkirk Union Bank. The first two were each of them carried on by an individual, and the last had only three partners. To these must be also added, the Merchant Banking Company of Glasgow, about twenty years ago, a very small concern, which must likewise, I think, have been a Private Bank, as but few particulars are generally known respecting it. Had it been a Public Establishment, a greater degree of publicity would have been given to its affairs.

In consequence of the uniform success of the Public Banks of Scotland, the most unbounded confidence is felt and reposed in them, both by the stock-holders and the public. Every holder of stock, (except with the chartered companies) however small the amount, incurs all the responsibility of a partner, yet that responsibility having been proved by all experience to be merely nominal, has no effect whatever on the sale of it. A person buys a hundred pounds share of the stock of any of the Banks with the same freedom that he would purchase the same

amount of stock in the three per cent. consols, without the responsibility weighing with him one shilling in the purchase.

In addition, however, to their success, some of the Scotch Banks have very considerable capitals, particularly the Edinburgh Banks, which have from five to fifteen hundred thousand pounds each. Hence their credit is almost unbounded, being considered by the Scotch equal to that of the Bank of England itself. The evils, therefore, which we suffer from the feeble and fluctuating credit of most of our Banks, and the disastrous failures of many of them, are nearly unknown to the people of Scotland.

From the very great credit enjoyed by the Scotch Banks, they are enabled to transact business to a much greater extent, and on very different principles, than with us. From this source still more important, though less obvious benefits arise, and these it may not be improper for us in the first place to consider.

The original and proper business of a Banker is to trade in capital. He ought to be that medium between the borrower and lender in the money market, which a merchant is in other commodities. It is the business of a merchant or trader to buy of the producer on the one hand, and to sell to the consumer or retailer on the other. He acquires a knowledge of both

parties, and they of him, and for his credit, capital, labour, and knowledge, he charges a profit upon the commodity which, through his agency, is transferred from the party who has it to sell, to the party wanting to purchase it. Now, what a merchant is in other commodities, the Scotch Banks are in money. They borrow of those who have it to lend, and lend to those who want to borrow it, acquire a knowledge of both parties, and charge a profit of one per cent. upon the transaction. Any person opening an account with them, receives four per cent.* upon the balance in their hands. He may pay money to the credit of his account when he chooses, and he receives interest for it from the day it is deposited; he may draw his money out of the Bank when and in such sums as he thinks proper, and only loses interest upon the sum drawn, from the day of receiving it. On the contrary, any person giving proper securities, may open an account with them, and draw to the extent of the security given, for which they will charge him five per cent. upon the fluctuating balance he owes. Consequently, a person who has money to lend is saved all the trouble, not unattended with risk, of mortgages, and may have his money, or any part of it, at any

* Since the above was written, they have reduced the rate of interest to $2\frac{1}{2}$ per cent., and have raised it again to 4 per cent.—Note to 5th Edition.

time, should a desirable purchase fall in his way ; whereas with a mortgage he cannot draw his money when he wants it—must take it altogether when he does draw it—or, if the borrower chooses, must take it whether he wants it or not. Their object, however, in borrowing, being to lend, the facilities given to borrowers, are equally great. In the first place, they will discount bills and other mercantile securities, that are perfectly regular and good, at any time, and to any amount. Thus merchants can calculate with certainty upon being accommodated in the course of regular transactions to any extent, which is of infinite service to them, as it would be better for a merchant not to have such assistance at all, than to have any uncertainty respecting it. In the next place, they grant Cash Accounts, that is, any person in business, by giving two sufficient securities, may open an account with them, and overdraw them to the extent of the security given, for which, as before stated, he is charged five per cent. upon the balance he owes. Very great advances, not to mercantile men only, but to all classes of persons, are made in this way; and in the last place, they make advances upon real property, some of them to a very considerable extent. The plan they pursue, I believe, is, for the proprietor to pledge his estate, or other property, with the Bank, for a given amount,

open an account with it, and draw as his occasions may require, to the amount prescribed. Thus, when any persons wish to borrow, the facilities held out to borrowers induce them equally with the lenders to make application to the Bank

As individuals often call in the money they have lent out on mortgage when they can find better employment for it, or when the death of a party produces a division of his property, by which a great expence to the mortgagee is incurred in procuring a fresh mortgage, Banks are therefore more to be depended upon, and borrowers being just as much wanted by them as lenders, and the money which they lend being rarely, or in fact, never, called in again until it is the pleasure of the borrower to pay it off, people, in want of money, will prefer dealing with the Banks at even a higher per centage, while lenders, on their part, prefer dealing with them at a per centage something less than individuals would give. Thus in consequence of the security of their property, and the readiness with which they can at all times obtain it when wanted, a difference of one per cent. is not found to be a sufficient inducement for the borrowers and lenders to pass by the Banks and to transact their business direct with each other. If they did, the gain would, of course, have to be divided between them,

a half per cent. would be no compensation to either party for the additional inconvenience, risk, and trouble, in which they would be involved. Whereas the Bank being open and ready at all times to meet the wants of each party, unless among particular friends, neither party ever thinks of making further enquiries upon the subject, but transacts the business with the Banks as a matter of course. They are, therefore, at once, the great depositaries of the money capital of the country,* and the source from whence the supplies of it are drawn.

Although considerable advances are made by the Scotch Banks upon real property, it is rather a ground of complaint, that they have been too much in the habit of speculating in the funds, when it might have been more to the advantage of their country that they should have lent out their capital at home; and while lending their money at home appears to be preferable for a Public Bank to gambling in the funds, it seems also to be the duty of such an establishment to lend its money at home whenever it can do so with safety.

The failures which continually take place

* There are thirty-two Banking Companies in Scotland; and it is computed by the Bankers themselves, that the money deposited with them, by the Public, is considerably above **20** millions.—Note to 5th Edition.

amongst the English, particularly the Country Banks, and the consequent discredit in which they are held, of course almost totally preclude them from trading in capital in the manner pursued by the Banks of Scotland. The London Bankers are the only Bankers, it is generally understood, who at all do so, and they are not considered good mortgagees. Their strictness in requiring powers of sale, &c. to be granted them, which their limited credit renders necessary, in order to be able to call in their money at the shortest notice, should the state of their credit at any time require it, places the mortgager in a state of disagreeable dependence. The business of an English Country Bank is, however, principally confined to lending out that capital which it raises by the circulation of its Notes, and the comparatively small sums deposited with it, mostly without interest, (its customers seldom depositing more money with it, than their current occasions require) and to buying and selling Bills upon London. The advances of capital which it makes are, of necessity, principally confined to the discounting of such short-dated Bills of Exchange, as through its London agents, can be turned at any time into cash; as it is always liable to be called upon to pay off its Notes, and all the money in its hands, at the shortest notice, it should always be prepared to do so;

and the most prudently managed and best English Banks are those which confine themselves most strictly to the limits which their uncertain credit prescribes to them.

Credit is, in fact, the proper capital of a Bank, without which it is impossible for it to be carried on with any great advantage to the country. For want of this the business of English Banks, extensive as it may appear, is quite inconsiderable compared with that of the Banks of Scotland, and far short of what it would be with a different system.

Thus then, it appears to be the result of experience, that while our Banks are often destructive, at all times dangerous, and at the very best totally inadequate, from want of stability and credit, to perform their proper functions, the Scotch Banks never fail, nor is any danger ever apprehended from them; and that, in consequence, Banking is carried on in that kingdom to an extent unknown, and, of course, with advantages totally unfelt in our own.

We have stated that the superiority in the success, as well as in the stability and credit of the Scotch Banks, arise from their being public, and not private concerns, which is also proved by our own experience. We have but

one Public Bank, the Bank of England, and it has uniformly done well since its first establishment. The same may be also inferred of the Bank of Ireland, the only Public Bank in that country: lately, when applying for a renewal of its charter, it appeared, that besides its annual dividends, it had made and saved half a million of money, a sum much greater than the Stock-holders had any conception of. This at once proves, that successful management is not at all peculiar to Scotland, or any nation, but is inherent in the system itself.

The cause of this difference proceeds from the charters of the Banks of England and Ireland, which prevent, in their respective countries, more than six persons from forming a Banking Company, while, in Scotland, there is no such monopoly, and Banks can be established on the proper principles, and as many people become partners in them as choose.

From the limited number of partners in our Banks, their management has frequently fallen into hands totally incompetent to such a trust. There is, perhaps, nothing in the theory of Banking very complicated. But to manage a Bank well, requires a degree of firmness, and judgment, which every individual does not possess. If a Banker be too safe, and injudiciously cautious in his transactions, he is apt to ruin his business for want of liberality; if

too confident, to ruin himself for want of prudence; while he must possess firmness sufficient to enable him to refuse the most pressing solicitation of even his friends, when necessary to do so. This knowledge, discrimination, and firmness, not only require natural talent in the person possessing them, but previous practice and experience in the business of the world. Whereas persons are often placed in the management of English Provincial Banks, by some connection or other chance, which usually determines the lot of individuals in the common affairs of life. Or, if they are chosen expressly for their presumed fitness for the trust, their fitness will then depend upon whether the partners who chose them, are themselves sufficiently competent to form such a choice; independent of which, however, the energy and vigilance of every individual is at times apt to slumber, and we occasionally find the ablest men get very far wrong.

Now, the true reason of the success of Public Banks may be ascribed to their never being managed by any single person, but by a Court of Directors, periodically chosen by the holders of stock;* and their fitness for the trust does

* Since this Pamphlet was written, two Joint Stock Companies, being establishments on a limited scale, have suffered loss by a departure from this principle, the Directors having placed, in each case, so unbounded a confidence in the managing officer, as to tempt him to abuse it, and apply the funds of the Company to his own use.—Note to 5th Edition.

not depend upon the opinion of an individual or two, but of hundreds, founded upon the clear evidence which their successful management of their own affairs has afforded. No man is ever chosen as the Director of a Joint Stock Company, where the choice is unbiassed by influence, who has not given sufficient proof in the eyes of the world of his ability for the management, and has not justly inspired his fellow proprietors with that confidence which they repose in him.

The principal causes which produce the ruin of Private Banks may be stated to be,—first, a confusion in their accounts, arising from a bad or relaxed and careless management, so very frequently exhibited in common affairs ; but which, in Banking, must ever be fatal ; secondly, speculations with the capital in the Bank ; and thirdly, and most frequently, accommodating great houses, either from motives of private friendship, or the temptation of extra Banking profits, until they are so involved that they must stand or fall with them. The two great failures which have happened in this part of the country, were Surtees, Burdon, and Co. and the Durham Bank. The first was produced by entering into private speculations with the capital in its hands, and the last by accommodating a great mining company. But with Public Banks these causes, by which

failures are generally produced, cannot exist. In the first place, the vigilant check necessarily kept upon the Accountant, and those who have the charge of the books, which must at all times show, without trouble to the Directors, the state of the Company's affairs, prevents the possibility of their getting back or into confusion. In the next place, the Directors could not appropriate the money of the Bank to views of private speculation, if they were wishful to do so, as they are a check upon each other. If they were respectable men, they would not attempt it, and if they were not, they would not be there: besides, there is no instance recorded of such a thing. In the third place, they have too little personal interest in the Bank to be tempted by extra profit out of the path of safety, in accommodating great houses: or if any of them were influenced by private friendship to do so, it could never be the case with them all; and they would be also in that respect a check upon each other.

Independent of the general Court of Directors, there is also a Managing Director, Cashier, Secretary, and Accountant, or sometimes Cashier, Secretary, and Accountant, or Cashier and Accountant alone, according to the business done, either the Cashier or Secretary in the latter cases acting as Managing Director, and taking all the practical manage-

ment ; and if the Directors are careful to choose men fit for these stations, and see that they do their duty, the Company will generally succeed.

The Directors having in general business of their own to attend to, cannot give their whole attention to the Bank affairs. Their part is more to deliberate, judge, and determine, than to contrive. Consequently the Managing Director, or he who is at the head of the executive department, sits with and joins the Directors in their deliberations, and proposes to them such views and opinions as his practical knowledge and undivided attention to the affairs of the Bank, suggest to him. These they take into consideration, and approve, alter, or otherwise direct, as they may think proper. The energetic and profitable management of such a business, therefore, greatly depends upon the ability of its officers, who are expected to submit a variety of views and propositions to the Directors, of which there is no fear that they adopt any which are too speculative. The errors of Public Banks are generally on the side of safety. But when the practical management is not in the hands of men possessed in some degree of ready apprehension, practical energy, and talent for business, it is consistent, I understand, with experience, that the business is apt to become less profitable.

The business, however, of such a Bank, though it may not be pursued with energy, is seldom neglected. When the Directors can give no attention to the concern, they resign, or when it is their turn to go out, are not re-elected. On the other hand, they are not likely to get wrong in taking up sanguine views, by which individuals often mislead themselves. They are responsible in the estimation of the Stock-holders for all that is done, and individually have but little to gain by success; whereas, if their management produced any considerable loss to the Company, they would be turned out of office, and stand committed with the public in a manner that would necessarily produce feelings of the most painful nature.

As, therefore, it thus appears, that the causes which operate in producing the failure of Private Banks are totally prevented by the constitution of Public Companies, we cease to wonder at the uniform success by which the latter are attended. But the risk incurred by Bankers is not, perhaps, so great as we are apt to imagine. With loans on property, or on the personal securities required to establish a cash account, there is no risk at all. Property is not taken, if not sufficient to cover the loan upon it, and the sureties accepted when a cash account is opened, are each of them required to be sufficiently able to fulfil the obligation of the bond they enter

into. Should any thing happen to either of them, another name must be immediately substituted. Independent therefore of the party with whom the account is opened, there are always two perfectly good and sufficient sureties, to make up any deficiency, even to the full amount of the debt, should it be called for.

The great risk incurred by a Bank, is in the Discounting of Bills of Exchange, though it is, at the same time, its most desirable business, from being the principal means by which it keeps its Notes in circulation. But with this class of business also, the risk, under proper management, is much less than is supposed. It is said, that the Bank of England, in ordinary times, does not calculate upon a greater loss than one pound in three hundred thousand. Leith is a very speculating town, and its merchants are subject, in consequence, to considerable vicissitudes. Yet the Branch of the Commercial Bank there, during the first four years of its establishment, did not lose one pound out of many millions of discounts, although, in consequence of having entirely new connexions to form, it rejected no business that it could with any degree of prudence accept. The experience of those also, who live in country towns, where the losses which the Banks sustain are generally known, will point out to them, if they have made the observation, that it is only very

rarely that a well managed Bank suffers any loss at all.

The Scotch Banks, in fact, in the arrangements which they make with their agents established in distant towns, assume that there is no risk whatever, and lay it down as a rule, that if they incur any loss, they are to suffer it themselves. The Directors in general select for Agents, tried men of business, who have proved, by the manner of conducting their own affairs, their capability of successfully transacting whatever may be confided to them. Securities are required of them, in a town of any business, to the extent, I understand, of not less than ten thousand pounds, and they receive a fixed salary of (say) from two to four hundred per annum, according to the size of the place and business done in it. It is, I believe, generally calculated by the Agent, that if he can make out a case of very unforeseen loss, it will be partly allowed him; but the assumed principle is, that there need be none at all. It is a most curious circumstance, however, and completely proves the insecurity of private management in Bank affairs, that the Banks lose more money through their Agents than in any other way.

The distance of the town, where the Agent is established, from the Bank, renders it impossible that any proper judgment can be formed

by the Directors, of the stability of the persons with whom the Agent does business. The great sum, however, required as a security, the business character he possesses, and the risk he himself runs, naturally remove all suspicion as to the prudence of his transactions. Should his affairs become involved, he is, perhaps, sufficiently clever to hide it for a considerable length of time. This he probably does with the hope of recovering himself, until the failure, perhaps of some house he has imprudently accommodated, or his deficiency is too great for further concealment, when his own ruin, the loss of the friends who are security for him, and the loss of the Bank besides, to perhaps three times the amount, prove his unfitness for the trust that has been reposed in him.

This does not unfrequently happen, and no greater proof of the insecurity of private management could well be afforded. If Agents, without the temptation of profit, and under the controul of their Banks, cannot keep right, how much more likely are Private Banks to get wrong, without any such controul, and with all the usual temptations to influence them ?

Although our Banking System has been so long in its present insecure state, the cause of

this insecurity does not appear to have forced itself on the consideration either of the Government or the public, until lately, when the failures in Ireland, and the lamentable effects produced by them, attracted the notice of the whole kingdom, and called the attention of those interested in the welfare of Ireland, to the subject.

In a conversation which, in consequence, took place in the House of Lords, upon the state of commercial credit in Ireland, the Marquis of Lansdowne stated, that *the present* distress in Ireland was principally occasioned by the late failures amongst the Banks in that country, which failures were to be attributed to the law that limited the number of partners in Banking Firms, and he called upon Lord Liverpool, with reference to Ireland, to remedy the evil by an alteration in the law, in order that proper Banks might be established. In answer to this, Lord Liverpool said, “that not only “did he agree in the suggestion of the Noble “Marquis, but it was his anxious wish that the “number of partners should be extended not “only in Ireland, but in England,” and instanced the hardship of Liverpool, Bristol, &c. being prevented from establishing Banks that would be instrumental to their prosperity and strength.

Since that time a negociation has taken place

between Government and the Bank of Ireland, in which it has been stipulated, that the Bank shall give up the restrictive clause in its charter with respect to Country Banks, and it has done so without an objection. A Bill has consequently passed through Parliament, by which, in the country districts of Ireland, Public Banks may now be established.

After what has been said by Lord Liverpool, as well as what has been done for Ireland, there can be no doubt of the disposition of Government on the subject. It is the declared wish of Lord Liverpool, who expressed the general sentiment of Ministers, (as their subsequent conduct with respect to Ireland has proved) that the impediment to the establishment of proper Banks ought to be removed, and that this country should enjoy the advantages of a better system.

To again call the attention of Government to the subject, is all that is now, therefore, necessary; and it will be creditable to the spirit and intelligence of the Gentlemen, Merchants, and others of the town and neighbourhood of Newcastle-upon-Tyne, to be the first to set the example. The proper plan to pursue is, in the first place, to form a Company, and then appoint a deputation to wait upon Ministers, and the Directors of the Bank of England, and negotiate with them respecting the alteration pro-

posed, and at the same time, pursue such other steps as may prove necessary to the ultimate attainment of the object desired.

That such an application must be made by a Company, to be made with proper effect, is evident. A Company will carry with it a weight which no individual can have, while it will prove how much alive the country is to the advantages of a better system, by its readiness to adopt it. It will also evince a proper confidence in the declaration of Ministers, as made by Lord Liverpool, that they wished to see a better system of Banking introduced; and there can be no doubt that the Ministry will have every disposition to give to their own declaration the earliest effect.

There is in fact but little doubt that Government will use all its influence to get the charter altered, on an application to it for that purpose. There can exist no reason why it should not. Ministers have declared the clause a great evil, and are bound by their sense of duty to endeavour to remove it. They have done so with respect to Ireland; and can have no motive or apology for not doing so with respect to us. Ministers, I suppose, will occasionally be wrong as well as any other set of men; yet so far as we can see, they are generally conscientious. A sufficient ground may sometimes exist for their opinions and conduct being at variance;

but there is evidently none in the present case, and their co-operation may therefore be relied upon.

The charter of the Bank of England does not, however, expire until 1833, and the obnoxious clause will require to be immediately expunged from it. But this can be done without injuring the Bank, and the wishes of Ministers, with the Directors of the Bank, must necessarily be imperative. Besides, we have nothing to fear from the Directors themselves, who, in conducting the affairs of the Bank, have always acted upon disinterested and public spirited principles. Neither can it be supposed that any measure for the public welfare, which was conceded by the Bank of Ireland without an objection, would be resisted by the Bank of England. The consent of the Directors to any alteration which benefits the public without materially injuring the Bank, may, therefore, also be relied upon. Yet, as to anticipate the worst, is sometimes the best policy, (viewing it as a possible case that the Directors may not be at once disposed to accede to the wishes of the nation,) we will examine whether, in that case, Parliament ought not to alter the clause without their consent.

The Bank, though intimately connected with Government in its transactions, is an independent establishment, governed by Directors of

its own choosing. It was commenced by individuals as a speculation, and was chartered by Government on the grounds of its public utility. Upon the same principle it has been continued a Bank by its proprietors, and the charter renewed by Government to the present day. It would be absurd to suppose that the Bank proprietors would have carried on the Bank merely to serve the public, had they not thereby served themselves, or that the public would have conferred upon them, A. B. and C. the holders of Bank Stock, any exclusive privilege from time to time, except upon the ground of public advantage.

That the Bank is held to be as much a public institution as a private speculation, is evinced by the interference of Parliament in its affairs. This interference is quite opposed to the common law of the land, yet it is perfectly justifiable with respect to the Bank of England, in consequence of its enjoying privileges as much for the public benefit as for that of its proprietors. The Bank is in fact an engine of the State; and Acts of Parliament are continually made for regulating its affairs, without any reference to the proprietors, but solely for the public convenience; and the right of parliamentary interference in its affairs, when the public good is involved, is clearly established by this usage.

It must, however, be kept in view, that though the affairs of the Bank have been regulated by the independent authority of Parliament, its substantial interests have never been infringed upon. At each renewal of its charter a pecuniary fine, or loan, at a reduced rate of interest, has generally been exacted, by which it has fairly purchased the profit to be made by its charter during the term of it. Hence the pecuniary emoluments which were intended to be secured to it, have never been curtailed. Mr. Pitt, when he persisted in drawing the specie from the Bank, protected it from the consequences of his doing so, by an Act of Parliament, to suspend the payment of its notes. From this restriction it derived great advantage; and although when the Bank was ordered, by Act of Parliament, to return to cash payments, the measure was contrary to its interests, it only restored the contract to its original footing.

Now the exclusive right of Banking, as a Joint Stock Company, in this kingdom, is of no advantage whatever to the Bank, except in London and Lancashire, and the latter is probably the result of chance. The advantage it derives from it is the monopoly which it secures in those districts to the circulation of its notes. Private Bankers, in London, are not prevented, any more than Country Banks,

from issuing notes, if they thought proper, but they would be continually liable to runs upon them, from the never-ending rumours of the metropolis. In the country, a Banker's property is seen; his economical habits, and prudent management, if he possess those qualities, are generally known, and a run upon him, without some cause, cannot so easily happen. In London, on the contrary, the public at large, or even the customers of a Bank, have hardly any means of forming a knowledge as to the management, prudence, or property of its partners. Hence its credit would be totally at the mercy of every offended or malignant individual, runs would continually happen upon one Bank or another, and the town would be in a continual commotion. No Bank, therefore, whatever may be its present credit, would find its interest in issuing notes, and it is probable that as the charter, and the present system of Private Banking now stands, it is perfectly effectual in securing the Bank the monopoly of London.

In the country, however, with the exception of Lancashire, Bank of England Notes have no circulation at all. Country Banks issue their Notes, in general, upon the same terms as the Bank of England; making no other charge than the interest upon the Bills they discount. The Bank of England having no means of

issuing its Notes out of London, the Country Banks entirely possess the country circulation. Independent of this, Bank of England Notes would not pass in most parts of the kingdom, as, where Local Notes can be had, no person in the more Northern Counties, will take a Bank of England Note if he can avoid it. The signatures of Country Notes are, generally, written in a legible and distinct uniform character, peculiar to the writer, and well known to the public. Hence every person can, at least, attempt to form a judgment, whether a note is forged or not. Should his observation upon hand-writing not be sufficient to enable him to distinguish any discrepancies in it, or between it and a printed fac-simile, the notes have, in general, some little figure or etching, with which he is familiar, and in which he might discover any slight variation from the original. But, in consequence of the number of Bank of England Notes to be signed, from their not being more than once issued, the signing clerks and signatures are so numerous, and the latter are written so hastily, that nothing can be ascertained from them; and the object of the signature is totally defeated. I never remember having once seen a person look at the signature of a Bank of England Note, in order to ascertain whether or not it was a forgery. The rest of the Note is also little more than a piece of plain printing,

and presents (at least to a person in the country,) nothing by which a forgery can be distinguished; Country Notes, therefore, are always preferred.

In Lancashire, however, there seems to be a prejudice in favour of Bank of England Notes, which is rather surprizing. The Banks there do not, in consequence, issue their own, but Bank of England paper, and to compensate this supposed disadvantage, charge a commission upon their discounts; which method must render their business a great deal less hazardous, and more profitable. Hence also they are never subject to runs, and when they discount a Bill, are sure of their commission of 5 or 10s. per cent. Banks in other districts, on the contrary, that charge no commission, constantly have their Notes returned upon them through other Banks, the next day after issuing them; and, by this means, where the Lancashire Bankers would gain a handsome profit, they often do not make a farthing. By this prejudice, however, the Bank of England also enjoys the almost exclusive circulation of Lancashire.

It has been very usual to consider the derangement and loss by the circulating medium, particularly to the poor, the greatest evil attending the failure of Banks. This is, however, an erroneous view of the matter; for Country Notes are, upon the whole, a better currency

than Bank of England paper. A good deal of present inconvenience may occasionally for a short time be sustained where the Banks of a country fail all together (as was before mentioned of Ireland); but the loss by the Notes in actual circulation is widely spread, and, comparatively speaking, little felt. The evil would be trifling if it extended no further than to the Notes which are in the hands of individuals; that proportion which is held by the lower classes, even taking it in the aggregate, can never be considerable, more especially since the Savings' Banks were established; it will probably seldom exceed a pound to a hand, and even in that case, the Bank ought to fail on Saturday, the day on which wages are generally both paid and spent. The circulation is principally in the hands of tradesmen, and the richer classes; and there are very few of the latter who would not prefer the risk attending Country Paper, if it were three times as great as it is, rather than incur the plague, trouble, and inconvenience which they suffer from the fear of forgeries, so prevalent with Bank of England Paper, as well as the loss by them, which there is no avoiding. This is incontestably proved by the decided preference which is actually given to the Paper of Country Banks wherever it is circulated.

Upon considering the generally acknowledged

superiority of Country Notes, it seemed at first natural to think that the prejudice existing in Lancashire against them must have originated with the Bankers in that part of the country themselves, as it was apparently their interest to support it. I had even formed and stated a conjecture to this effect, until I observed in the papers of the day an account of the transactions and resolutions of a meeting, held on the 1st of September last, (1821,) by the Merchants and Manufacturers of Manchester, on the subject. By the proceedings at this meeting, it appears that the Bankers of that town, not content with the present profits of their trade, have had it in contemplation to issue Notes, expecting, no doubt, to enjoy their present commissions, and the advantage to be gained from the circulation of the country besides. This scheme, it is likely, in the end, they would have found impracticable; for in the free competition of this country, the profits of no trade can be kept for any length of time above their natural level, and the ruin of their commissions, from the competition of other Banks, would most probably have been the result. But the Merchants and Manufacturers met for the purpose of resisting the attempt, and refused to take the Notes which it was thus proposed to issue. A great deal of very ingenious arguments were used by the proposers of the resolutions en-

tered into at this meeting. The statement, however, which probably carried the most conviction and unanimity along with it, was the fact, that fewer of those Banks fail which do not issue Notes, than of those which do. Now, as there is no reason why Banks that issue Notes, and get smaller profits, should undertake greater risks than those who have more temptations of profit to influence them; as also there can be nothing in the mere issuing of their own Notes very materially different from that of issuing those of any other establishment; and lastly, since though they may stop payment by a run, they seldom become bankrupts when they are not insolvent: the difference mentioned must principally arise from the issuing of Notes being attended with the same risk, but with much less profit. It is inconceivable that the issuing of Notes should make any other difference than that which arises from reducing the commission upon discounts. Bankers who circulate Notes may, from the fear of runs, be obliged to circumscribe their business, and without great profits, may indulge in great expence; or should they have lent out their money too freely, they may also, it is true, be brought to a stand by a run upon them; but if they are solvent, any loss which may be thus caused will of course fall upon themselves.

The superior safety of those Banks which do

not issue Notes, can, therefore, I apprehend, only arise from their business paying them better; and if the Merchants and Manufacturers of Manchester will continue to pay Messrs. Jones and Co., or Messrs. Heywood and Co., the same commission as before, they may be safely allowed to do as they think proper. But if the Bankers take the very sensible advice of Mr. Wood, they will make no further attempt to alter their present system. The fear of runs might compel them to curtail their business, and they may be sure the profits of Banking in Manchester, as in other places, would find their level. The probability, therefore, is, that if they were to issue notes, they would discover, in the end, that in grasping at the circulation, they had only illustrated the fable of the Dog and the Shadow.

The apprehensions expressed at this Meeting, that persons of no property would issue Notes, and maintain a circulation in competition with Bankers of stability and credit, is supposing what is contrary to experience, and could never happen. But in this case there is little doubt that, in time, the trade of Banking would not be so profitable in Manchester, and the business would be done upon more liberal terms; if the Banks issued Notes, the present Bankers might go out of the business, others would not make so much money, and they would consequently

not be so safe as the rich Bankers in question. In that view of the subject, therefore, the Meeting was right in the resolutions it adopted. But to pay a Banker an extra profit, in order to render you safe in your transactions with him, is the same as giving a premium for insurance against a sea risk. It is prudent, at any rate, perhaps, to insure, though the premium may be high, but it becomes a question for serious consideration, whether you cannot get your insurance effected at a cheaper rate.

The circulation of the Bank of England Notes in Lancashire, is evidently founded upon a view of the subject taken up by the Manufacturers and Merchants in Manchester alone, and in consequence it is only enjoyed by a kind of chance. To give the Bank that circulation was evidently, therefore, not the intention of the charter, while the tenure by which it is held is too frail to be relied upon, and therefore can neither be argued upon as a matter of right conferred by the charter, nor depended upon as a source of profit.

The right, consequently, of the Bank to prevent more than six partners entering into a Banking Company, is, with respect to the whole kingdom except London, a right which confers no advantage upon it, while it loosens the whole frame of commercial credit, of which Banks are the pillars and support. To call it, therefore, a right, with respect to the country, is improper;

legally it may be so termed, but equitably it is nothing but a wrong.

It seems also by the Act which conferred it, that this privilege was first granted by a mistake. By stat. 6 Anne, c. 22, it was enacted that "*for securing the credit of the Bank of England,*" no other Banking Company in England should consist of more than six partners. Now it did not secure the credit of the Bank of England in the smallest degree. The credit of the Bank of England depended upon the amount of its capital and the state of its affairs. This Act merely ruined the credit of every other Bank; and it is almost certain that had the true object of the Bill been stated, and had the preamble run thus, "*for the intent and purpose of ruining the credit of all the unchartered Banks in England, it was enacted, &c.*" it may be safely affirmed, that no such Act would have been passed by any British Parliament, at least since the Revolution. The error then committed, has been continued to the present day; but when the practical evils produced by it have been so severely felt, and are become so evident, it is the duty of Parliament to correct it.

Parliamentary interference in the affairs of the Bank, is, as we have endeavoured to shew, a right which practice has conferred; but, admitting, for the sake of argument, our conclusions on that view of the subject to be erroneous, it

must be obvious to the commonest apprehension, that there is a right in any Government to take from any body of men, a monopoly which does them no good, while it does the country a great deal of harm. An indefeasible right of inflicting a wrong, would be a new principle in our institutes.

The only permanent and substantial good which the Bank derives from the clause in its charter is the monopoly of the circulation of London, and its neighbourhood. The circulation of Lancashire, as we have seen, cannot be depended upon.

Now, a worse way of securing the circulation of London cannot be conceived. The object is to prevent the Bankers of London from issuing Notes; and the manner of doing it is to weaken their credit, and keep it so low that they dare not attempt to do so. Nothing could be more simple, nor more effectual, than to pass an Act to prevent their issuing them. But, instead of that, the object is accomplished by taking from them their credit, the vital principle of their trade. It would be just as proper to bleed a horse in order to diminish his speed; instead of restraining his pace by an additional bridle and curb, check it by the weakness produced from the frequent use of the lancet: the object would, no doubt, be accomplished thereby most effectually, but it would also ruin his constitution, and the

probability is, in such a case, that upon the slightest trip, both horse and rider would tumble into the ditch. Nothing, in fact, can be more absurd than the present manner in which the monopoly of the Bank is secured, while its baneful influence extends to every part of the country. Our Private Banks are unequal to the burthens they have to support; and it may be truly said, that the Banks and the country are continually, in some part or other, tumbling together into a ditch, and often one so deep that they never get properly out again.

It must be admitted that the restriction is productive of less apparent ill consequences in London than in the country. The reason of this is, that the business of Banking is more profitable in London, (where all business is generally better managed) than it is in the country; for it is principally in the hands of old houses, conducted by acting partners, who have been all their lives in the houses which they manage, and who have raised themselves by their industry, experience, and talents.

All, therefore, that the country requires is, that the monopoly of the Bank of England be secured to it, in a more simple and direct manner. That in lieu of the clause enacting, that not more than six partners shall enter into other Banking partnerships, it be enacted that no Banks shall issue Notes within the boundaries

of the present monopoly. In doing this, there is no infringement of the rights of the Bank. The object of its charter is to give it an exclusive privilege, which, by this alteration, will be the more effectually preserved; for it is merely incidentally secured by the present terms of it.

Government have no right to do the Bank an injury, but they have surely a right to remove from its charter any impediment to the public welfare, upon granting it an equivalent. This is nothing more than the principle upon which all Acts of Parliament are passed, for making roads, canals, &c. through private property. The individual is fully compensated for the loss he sustains, and substantial justice being done him, his inclinations are not consulted in the matter.

If an argument in favour of the present system should be drawn from the circulation enjoyed by the Bank in Lancashire, the Merchants and Manufacturers of Manchester have it in their power effectually to destroy its efficacy. They have but to encourage, instead of suppress, the circulation of Local Notes; and whether the present Banks issue them or not, they will, no doubt, by the competition of trade from other quarters, find their way into circulation.

It is, however, equally the interest of the Bank, to have its monopoly secured in a more direct and less questionable manner. Any person

may, at present, issue Notes in London, and nothing but want of credit, prevents Private Banks from doing it. If any plan, however, should be thought of, to give the Notes of Private Banks sufficient credit, there would, doubtless, be found Banks to issue them, and there can also be little question that the public would, as in the country, give them a preference.

Without entertaining any wish to deprive the Bank of its monopoly, but to show that it does not stand upon the surest footing, how easy would it be for Private Banks in London to adopt the plan proposed by the Chancellor of the Exchequer, two or three years ago, with respect to country establishments. If, for instance, a Private Bank were to issue half a million of paper, it might purchase stock to that amount, and assign it to trustees, and these trustees might indorse and guarantee the Notes, holding the stock to meet their payment, should they be ever called upon by the failure of the Bank. There would then not only be value in the funds sufficient to pay them with, which could not be applied to any other purpose, but the holders of the Notes, should it be necessary, would have a claim upon the estate of the Bank to the full amount of their value, and thus no apprehension respecting them could possibly be entertained. A renewal would, of course, from time to time, be requisite, but the trustees would take

care, for their own sakes, before they endorsed a new Note, that an old one of the same value should be cancelled.

Many other plans might, I have no doubt, be contrived to attain the same object, and render the Notes of Private Bankers perfectly safe to the public, by which they need not as now apply to the Bank of England for Notes, but issue their own, and in that case the charter of the Bank would be rendered almost useless. The alteration proposed, therefore, is as much the interest of the Directors and Proprietors of the Bank, as of any set of men in the kingdom. The charter of the Bank does not expressly confer a monopoly, nor could it be discovered from the charter itself, that the monopoly of a circulation of Notes was intended. But if a monopoly was intended, there needed to have been no fear of expressing it in words ; and it would now be desirable to the Bank for it to have that monopoly which it has paid for, clearly expressed and secured to it. Thus there can be but little doubt that we shall meet with the ready co-operation as well of the Directors, as of Parliament and Ministers, in the measure.

The only persons who will be injured by it, will be the present Bankers. But no set of men can expect a country to continue voluntarily to submit to an evil after it has discovered the cause, and can apply the remedy. They must

take the fate incident to all rights or institutions, founded in error : as soon as truth appears, the fabric, for want of its foundation, must be destroyed. But on none can a loss fall more lightly. If a Banker be not independent of his trade, he ought not to be a Banker. He has gained a credit that he is not entitled to ; and to deprive him of a business he ought not, and could not carry on, if the public were aware how little security he afforded them, is nothing more than an act of justice. If he be independent of his business, which the great majority of Bankers are, he may lose, but cannot feel his loss very severely.

The Clerks and Managers of those Banks, whose business may be curtailed, will find as good, if not better situations than they had before, with the New Companies, who will, as a matter of common sense, be anxious to employ them, for the sake of their practical knowledge. Hence we may safely calculate, that the amount of positive injury to individuals, produced by the loss of the means of support, from the proposed change, will not be great ; and by no means equal to what the failure of any one considerable Banking concern would occasion, under the present system, if it be continued.

In order that we may form an idea of the profit to be made by establishing a Public Bank in this town, we will next examine the success that has attended those which we propose for our models.

The stock of many of the Provincial Banks of Scotland has sold much higher than the stock of the Edinburgh Banks. The Edinburgh Banks, however, are those to which we shall more particularly refer, as the business of this town and neighbourhood is sufficiently extensive to require an establishment of equal magnitude.

There are four Banks in Edinburgh : The Royal Bank of Scotland, The Bank of Scotland, The British Linen Company, and The Commercial Bank. The last established was the Commercial Bank, in 1810 ; it commenced with a subscribed capital of Six Hundred Thousand Pounds ; it has divided from 6 to 8 per cent., and its stock is at present at 50 per cent. premium. It has had to contend in a ground completely pre-occupied, and the most ruinous times in our mercantile history ; and in struggling to form connections, it has been led into the midst of the failures that have happened, and has met with considerable losses. The Directors have, in consequence, reduced the dividend from 8, which they had paid the first few years, to 6 per cent. Its stock, how-

ever, has not fallen in consequence. It has never, I understand, been higher than it is at present; and there is little doubt, that had it continued to divide 8 per cent., the stock would by this time have doubled its original value. The Directors, it is supposed, will not again divide more than 6 per cent., until they have accumulated such a reserved fund as that, in future, when the dividends are increased, there may never be a necessity for their being reduced again. The success upon the whole of this concern, considering the opposition it has encountered, which was very great, and the bad times it has met with, which were equally so, has not, I have heard, disappointed its Stock-holders.*

The Bank of Scotland, † and Royal Bank Stock, are at a premium, I understand, upon the original capital advanced, of from about 90 to 140 per cent. But their capitals are, I believe, a million and a half each, being unnecessarily large for the trade of Edinburgh. Their credit would be as good, and their business as extensive, if they were to pay off half their

* The stock of this Company is now at £100. premium, besides its having, within the last twelve months, paid its shareholders a bonus of 25 per cent.—Note to 5th Edition.

† The Bank of Scotland has, within the last seven or eight years, paid two bonuses of 25 per cent. each, and its stock is now at 150 per cent. premium upon its actual capital.

capitals, each Stock-holder would then get as much profit upon half his present stock as he now does upon the whole of it. All that a Bank can gain by capital is credit, and when its capital is sufficiently large to put that upon the most solid basis, it is as large as there is any occasion for. More only incumbers it, and would be as well in the hands of the original Stock-holders, many of whom would probably turn it to better account.

The most successful, however, of the four establishments, has been the British Linen Company. It commenced originally with one hundred thousand pounds, which afterwards, either by an accumulation of profits, or by a further advance of capital, was doubled. Upon this capital it annually made very handsome dividends, and also accumulated a reserved fund, which, about eight or nine years ago, amounted to nearly Three Hundred Thousand Pounds, making its capital, in all, nearly half a million. It was not then a chartered Company, but it applied to Government for a charter, and got one, the Proprietors having, it is understood, subscribed a small deficiency necessary to raise their capital to Five Hundred Thousand Pounds. Since then they have gone on, notwithstanding the precarious and disastrous state of the mercantile world, with almost unparalleled success, so that now their half

million of stock is worth a million and a half; it meets a ready sale at not less than 200 per cent. premium. I do not imagine that their charter has contributed much, if any thing, towards this increase of value. The only advantage the charter gives, is to free the Stock-holders from responsibility beyond their respective shares in the capital of the Bank. This, however, can be no advantage in Scotland, where the very idea of danger, beyond a capital of half a million, would be considered as one of the absurdest chimeras that could be entertained. I do not suppose the stock of the Commercial Bank, which is not chartered, sells for a pound less on that account. It is, in proportion to the interest paid upon it, nearly about the same price as the 3 per cent. consols, and it is not likely a charter would raise it higher. I, therefore, imagine that the value of the British Linen Company's stock arises altogether from the ability with which the Bank is managed, and the amount of dividends it consequently makes. It must be also considered, that Government could not, with justice to the public, and therefore would not, grant a charter, if it was really any thing more than a name. It would never agree to exonerate any set of men, who enjoyed a certain gain, from the loss incident to it, and throw it upon the unsuspecting public. It is only when the capital of a

Bank is sufficiently great to satisfy the most sceptical doubt with regard to the safety of the public, that a charter can ever be granted. Besides which, if the freedom from personal responsibility conferred by the charter on the Stock-holders of the British Linen Company, had been of any real use in freeing them from risk, it must have destroyed their trade. Nobody would make permanent deposits in a Bank, whose partners, by any peculiar privilege, were freed from the loss which their own transactions involved. They would naturally have dealt with those that had no charter, in preference, or with the other Chartered Banks that had three times the capital. Had the charter not, in every respect, been a mere dead letter, it must have injured the concern.

It is evident, that if Banking is carried on at all, it must be with a profit more than adequate to the risk incurred; and those who gain the profit must take the risk they are paid for. The reason why the charges of Bankers are so small is, that they are found, with judicious management, to cover all risk, besides leaving a sufficient profit.

The business for a Bank in this town and neighbourhood, I should think by no means inferior to that of either the Commercial Bank or the British Linen Company. In the present state of the country, however, as it is far from

being certain that Government may not be compelled to reduce the interest of the national debt,* it is not necessary to make out a case of extravagant profit, in order to induce capitalists to enter into such a concern. Equal interest, with greater safety, would of itself be a sufficient inducement. But with the chance, which experience has reduced to a certainty, of increasing their capital at least 50 per cent., what probability is there of capitalists turning their money at present to such account in any other way ?

As this Bank will be the first of the kind, it will also, with equal management, be the best. There is no connexion more stable than the connexion of a Bank. When a person once opens an account with it, if he does his business creditably, he never has occasion to leave it; and if he does not, he could gain nothing by the change. Hence it generally happens that Merchants adhere through life to the Bank they begin with, provided it preserves its credit. When, however, in addition to this, we consider the fine field which this great mining and commercial district presents, we may be a little more sanguine in our calculations. I should think we have a right to expect as great a profit

* Since the meeting of Parliament all fears, on this head, appear to be removed.—Note to 2d Edition.

as has ever been made by any Public Bank yet established.

Where Public Banks have not been established, and I may say, also, where Private Banks have, there appears always to have existed a prejudice on the subject of Banking. On this account, at the first formation of Public Banks, we generally find it has been considered politic to encourage them, by granting charters. That there exists at present in this country a great prejudice against Banks and Banking, from the disasters they have produced both to the partners in them and [the public, there can be no question. As also there can be little doubt that when the present impediment is removed, Government will be disposed, for the benefit of commerce, and for the general convenience derived from Public Banks, to encourage them, I should suppose that where a sufficient capital is subscribed, there will be no objection to granting a charter, if it is required. I would therefore propose, that the Bank in question be commenced with a capital sufficient to command a charter, if one was desired, or to make it a matter of perfect indifference in the event of Government declining to grant charters, whether one was to be had or not. It is also reasonable to suppose, that in granting charters, Government will only require such an amount of capital, to be possessed by each Bank, as the business of the place where

they may be established, shall seem to render necessary. The capital required for a Bank in Manchester or Liverpool, where mercantile transactions are so large, could not be employed in a small town like Sunderland, and would never pay in a town like Newcastle.

Considering the business of this town and neighbourhood, however, we should suppose that Government would not grant us a charter under half a million of capital, if it would even grant a charter at all with a less sum; and we should think, that with such a capital, it would be immaterial whether we had a charter or not. The most sceptical, whatever their prejudices on the subject might be, could never imagine any danger with such a security, either to the public with a charter, or to the private property of the Stock-holders without.

So large a capital, however, would warrant a greater extension of business than our own town affords. The Edinburgh Banks have agencies, and do business to a great amount, in all the principal towns of Scotland, which no doubt is on the aggregate found to pay them. In that respect it is proposed, with reference to the neighbouring towns at least, that we shall follow their example: but while we do this, we must also endeavour to improve by their experience. And the following is the plan we beg to submit:—

1. That a Bank with a capital of £500,000 be established in Newcastle, with Branches at Durham, Sunderland, Shields, and any other place which may be hereafter determined upon.

2. That no individual shall be allowed to more stock than to the amount of, say two thousand pounds.*

3. That the capital be subscribed as follows :—Two hundred thousand in Newcastle and neighbourhood; one hundred thousand in Sunderland; fifty thousand in Durham; fifty thousand in Shields, and their respective neighbourhoods, and the other hundred thousand as may be hereafter determined upon.

4. That the Bank in Newcastle be governed by four Directors, three of them chosen by the Newcastle Stock-holders, and the fourth to be their Chairman, and be chosen by the other three. One of these Directors to go out annually, and not for one year be eligible to be re-elected. That the Chairman be elected annually, and be eligible to be re-elected.

5. That the Branches be governed by three Directors, chosen by their respective Stock-holders, and a Chairman chosen by the three Directors, in the same manner as with the main branch in Newcastle.

6. That the Branches be under the general

* A Director is in general allowed to subscribe for a much greater amount than any other individual.

management and controul of the Court of Directors in Newcastle, who shall receive daily or weekly accounts of their transactions.

7. That the Chairman of the Branches form, with the Newcastle Directors, a Committee of General Management, and come into Newcastle every month to examine the affairs of the establishment, and consult and decide with the Newcastle Directors all questions and rules of General Management, which it may be necessary from time to time to lay down.

8. That none but the Chairman, and the Newcastle Directors, shall inspect the particular transactions of each Branch; but that a general meeting of the whole Directors, shall be periodically held for the purpose of making laws, or may at any time be called to consult upon any given question, either with respect to the transactions of any Branch with an individual, or upon any specific point of management which may be proposed to it, and its decision to controul and bind the Committee of General Management with respect to that point; and two Directors to have at any time the power of calling a General Meeting.

9. That there also be a Governor and Deputy-Governor, the latter of whom to be chosen by the Committee of General Management, and the former either by the Directors at large, or the Stock-holders. The Governor to be principally

an honorary appointment, and to be a member of one of the two Houses of Parliament, and the Deputy-Governor some gentleman resident in Newcastle, who has leisure and inclination to give his attention to the affairs of the Bank, and preside at the Monthly Meetings.

10. That the executive officers of the Establishment consist of a Cashier and Accountant, with a Secretary, if required; and such other Clerks as are necessary for each Branch, and a Managing Director in Newcastle.

11. That the division into Branches extend only to the division of the capital and management, and not to the profits, which shall be divided equally.

This gives a general outline, and I need not give more. The first step that the Company will have to take must necessarily be to appoint a Committee, to procure all the laws and regulations of the Public Banks of England and Ireland, and the leading Public Banks of Scotland. They must examine into their comparative success, and the cause of it, and from their rules draw out such a constitution, as, with reference to the peculiarities of our local situation, shall be the best fitted to secure both the safest and most profitable management. In proposing this outline, my object is principally to suggest the enquiry, and not by any means to presume that

a better plan may not be adopted. That the constitutions of some of the present Public Banks are not so good as they might be, and not suited to such a town as this, I am pretty well convinced ; and as it is difficult to make a change after a constitution is once acted upon, it will be evidently proper to consider the subject well beforehand. The outline which I have given, I shall, however, take the liberty of illustrating by a few explanatory observations.

In the first place, the capital proposed will at once have the effect of giving the concern stability, and of securing the unlimited confidence necessary to be reposed in it by the public, in order to render it equally profitable and useful. In the next place, limiting the amount of stock held by each individual, will keep the concern in the hands of the public. It is very usual with Private Bankers, and other wealthy individuals, to buy largely of the Stock of the Public Banks in Scotland, which is a disadvantage to them, as the greater the number of persons interested in supporting such a concern, the better. There are two individuals who each hold upwards of a Hundred Thousand Pounds of the British Linen Company's Stock, neither of whose accounts with it are so profitable, nor, in all probability, is their influence in its favour nearly so advantageous, as the transactions and influence of a respectable tradesman, or mer-

chant, would be, who was in a situation to hold £2,000 Stock, independent of the capital of his trade. One of them is, in fact, himself a Banker, and issues Notes, so that he must be a rival, as far as his business extends, and not a friend to the Bank. By this means it is deprived of at least a hundred interested supporters, which, by our plan, it would have, and the profit of the smaller Stock-holder is diminished in a corresponding degree. There is also another practical evil, of still greater importance, which would be avoided. The Private Bankers in Edinburgh who do not issue Notes, keep an account with one of the Public Banks, in the same manner as the London Bankers do with the Bank of England, and discount with it, or draw upon it, for the cash they require. They have, generally, made it their policy, to buy largely of the Stock of the Bank they do business with, so that by the amount of their stock, together with their private influence as Bankers, they might get themselves chosen Directors. By that means they not only gain an undue preference in their transactions with the Bank, but as it has been proved, have, sometimes, for years together, contrived to render the Bank totally subservient to the extension and profit of their own private business.

Where great Public Banks are established, there will always be trade to a certain extent for

such Bankers. They draw upon London, act as Bill Brokers, charging a commission upon their discounts, &c. and when capital is scarce, by their superior credit and influence in obtaining discounts, contrive sometimes to do business to considerable extent. We may consequently expect that the same, in a greater or less degree, will be the case in this town, and as such Bankers here will have the same interest to prompt them as in Edinburgh, they may be expected to endeavour to take the same steps.* But by limiting the amount of Stock held by each individual to £2,000, no monopoly can take place, and one Stock-holder cannot possess any advantage over another.

Such persons generally, no doubt, get possession of the Stock by giving the best price for it; and by thus limiting the competition, individual sellers will not get, at the moment, quite as much as it would otherwise bring. By a strict adherence, however, to the rule, the profit of the concern will be improved, and instead of a holder having to sell his Stock with a dividend of 10 per cent., it may leave a dividend of $12\frac{1}{2}$. Thus though he may not get so much for it when it comes into the market, as with a free competition, yet he will evidently get more

* It appears to be thought that this would be best guarded against by a law that no Banker should be eligible to be a Director.—Note to 5th Edition.

for it than if, from the consequence of such competition, the dividends were $2\frac{1}{2}$ per cent. less.*

With respect to the division into Branches, there can be no doubt that by thus effectually embracing the business of the different towns wherein they are established, the profit of the concern will be materially increased, and that capital, which might be too large for Newcastle alone, become only proportioned to a plan so much more comprehensive. But there will be also great advantages derived from it in the system of management which it affords.

There are two objects to be aimed at in planning the constitution of a Bank. First, its safety: and next, its success. And though safety is a natural consequence of success, yet there may be great safety where the success is but small. They are, in fact, partly opposed to each other. That constitution which would best secure the one might be very liable to diminish the other. In a multitude of Directors there would be safety, but the chances would not be so much in favour of success. It is commonly said, and with truth, “What is every person’s business is the business of no one;” and this, in

* Limiting the amount of Stock that shall be held by any individual willing to purchase it at the market price, has been considered liable to great objections.—Note to 5th Edition.

some degree, would be the case with a multitude of Directors. The common routine of transactions would be done by the officers of the institution; but no able or energetic, and successful management would be attempted. The responsibility lies with the Directors at large. No individual Director would consequently take any step of the least importance himself. Nothing would be done without a majority present, and too little interest would be felt by the majority for it ever to attend. Besides, when many people meet, they talk more than they act: and if they differ in opinion, are apt to do nothing, leaning always to the safe side. Little being therefore done, and always that little with superlative safety, the business of the concern might suffer by it. It will sometimes happen, as with the Bank of England, where a considerable business is necessarily done, that with a number of Directors a good arrangement may be adopted, and the management go on tolerably well. But the Bank of England derives its business from its monopoly, in spite of its Directors, and not from its superior management. Four and twenty Directors could never successfully compete with the management of a smaller body. This is partly proved by its own experience. It does business upon the same principles as the Private Banks, yet notwithstanding its superior credit, it gets little or

nothing to do, beyond the circulation of its Notes, and keeping the accounts of Government. On the contrary, were the Directors fewer, the interest they felt would be greater. The whole credit of the management would attach solely to them; they would acquire a better knowledge of it, do it with more ease and pleasure, and give that spirit and energy to the direction, by which the business of the concern would be extended, and its profits increased. There is also another disadvantage arising from too many Directors. Few people like their cash transactions to be known, and none, that they should come under the review and cognizance of their neighbours, who might sometimes even be their rivals in trade. This will always be particularly the case with borrowers, who are as good customers, and as necessary to a Bank, as lenders: and when there is a great number of Directors, people are apt to feel that privacy is almost out of the question. This, I dare say, is one of the principal causes which gives business to the Private Bankers in Edinburgh; and it will always induce many *country gentlemen* (more particularly those with whom a few shillings per cent. is less an object) to do their business with Private Banks in preference, if they possess the requisite credit, or can give them the accommodation they require.

Now, by the plan proposed, we shall com-

bine all the advantages of both public and private management, without the drawbacks of either.

For these reasons, the fewer the Directors the better: but there could not well be fewer than four; and, indeed, perhaps no Bank could be safely trusted to the management of so small a number. By the Branches being under the controul of the Newcastle Directors, however, while they will enjoy all the advantages of the most private management, they will have all the security of the most public. The same will be the case with the management at Newcastle: it will regularly come under the inspection and controul of the Chairman of the Branch Directors, and any thing wrong in the management will immediately be discovered, and corrected or exposed. By this means, no doubt, the transactions of individuals with the Bank will be reviewed by more than four Directors. They will, however, generally be strangers; and people have a much greater objection to be immediately under the cognizance of their neighbours, and those they are known to, in money matters, than they have to their affairs being reviewed by persons who do not know them, and who only stand in the relation towards them of A. to B.

A declaration, however, if not an oath publicly made, ought to be required from every

Director, that he would never make the transactions of the Bank a subject of conversation to any but those concerned in the management; and from the Committee of General Management, that their individual communications to the Branch Directors, should embrace only points of general management, unless a General Meeting is to be called, and any question to be discussed, which may involve the detail of any particular transactions. By this means the public would be continually *reminded and assured* that their transactions would have the greatest privacy possible, an assurance which, there can be little doubt, would be of considerable benefit to the business of the Bank.

Another great advantage of this plan, is the superior activity which a comparison with and inspection of each other's management will naturally produce. While the Directors at Newcastle will require a good account of the management of the Branches, they will naturally be anxious to give as good an account to the Branch Directors, in return. Thus, by being poised against each other, a mutual emulation will be excited, which, by keeping the interest and attention of all parties continually alive, must prove of incalculable service in promoting the interest of the establishment; for a falling off in the time and attention given, and the

trouble taken, by those entrusted with the management, is the easily besetting sin of the Directors of all public concerns.

If the public could be equally assured of the goodness of the management, it would be better that the Directors once chosen should never be changed. The secrets of the Bank ought to be kept in as small a compass as possible.

The management of a Bank also requires a practical knowledge, which, of so great a business, must take some time to acquire. Of this the Scotch are aware; and though some of the Directors go out every year, they generally re-elect such as have been Directors before, so that the same set of persons, whom experience has rendered the most fit, are continually in the management.

In order, therefore, not to have more changes than necessary, and to introduce no strange faces that can be dispensed with, it is proposed that but one Director shall go out each year in rotation, and that the order of rotation shall not be imperative. If to retain a Director, whose usefulness is such, that his brother Directors think he ought not to retire, or if to permit one to go out who may have found that he cannot give the attention required, the Directors choose to alter it, so much the better. In so small a number, it would neither be desirable

to lose a good Director, nor to retain a bad one; and of their respective qualifications and usefulness, the Directors will themselves be the best judges. It will also generally happen, that there is some one individual who has more time, takes more pleasure and interest in, and gives more attention to, the management than the rest, and the object in giving the Directors the choice of the fourth member themselves is, that they may choose this person for their Chairman. He will always have the most knowledge of the transactions of his particular branch, and will be the fittest to give any explanations respecting it, at the monthly meetings of the Committee of General Management, and will have the greatest tact and fitness for that inspection and judgment which he will be called upon to exercise as to the transactions of the other branches, that will come under his review.

The monthly meetings of the Chairmen of the Branches, with the Newcastle Directors, being for the purpose of scrutinizing and controlling each other's management, it is possible that differences of opinion may sometimes arise. In order, however, to prevent such differences from producing any disunion (which varieties of opinion, when people are earnest in a pursuit, have been known to cause,) it is proposed that the Deputy Governor who presides at these

meetings, shall have nothing to do with the particular management of any Branch. Being chosen by the Committee, whose respect and confidence he will in consequence naturally enjoy, he will possess sufficient influence to prevent any such event from ever happening. It is likely, however, from the character and respectability of the parties, that a misunderstanding is merely a possible, but not at all a probable event.

The Governor having an honorary station only, should be chosen in a manner calculated to convey the greatest compliment, and should always be a member of one of the Houses of Parliament, that he may be a man of undoubted rank, and able to secure a parliamentary interest and co-operation in promoting any measure, or procuring any act, which may hereafter be wanted.

The superior power of control possessed by the General Court of Directors, does not involve its interference in the details of the concern, and will not, consequently, in the least degree, embarrass its operations, which might be the case, if it were called upon to take a practical management. It will merely be a superior court of appeal, to which reference may be made upon any particular question or point, by the Committee of General Management, or

any two of its members. Its judgment and interference will be merely occasional, and never exercised without being specially called for, which it is probable will rarely be the case. The existence of the power may be useful, though never exercised.

Independent of these different checks, the Managing Director ought to make periodical visits, more particularly at the commencement of the concern, to aid, with his advice and assistance, the Directors of the Branches. By thus diffusing his practical knowledge into every department, a general uniformity and harmony in the direction of affairs, will subsist throughout, which will render the positive application of any one of the checks an event rarely called for.

By the pursuit of this plan, there would be every probability of the establishment being conducted both with safety and success. The whole management, in a short time, would become a very well understood routine. Any appeals would merely take place on particular occasions, by the Directors of the Branches requiring the additional authority of the Committee of General Management; or on any important point, requiring the additional authority of the General Court of Directors, to relieve themselves from responsibility.

Branches may also be established at Berwick, Carlisle, Stockton, &c., upon the same principles, but the distance would be too great to require the monthly attendance of their Chairman. If they came once or twice a year, to ascertain, for the benefit of their constituents, the general state of the concern, it would be sufficient. In any large town, however, where an Agent was appointed, and any considerable business done, it would be better to have a Board of Directors. No business could be done to any extent, without a discretionary power exercised upon the spot; and the experience of the Scotch Banks has proved, that it is not safe to entrust such a power to an Agent. With these few observations, we will leave the plan to the consideration of the Public.

SUPPLEMENT

TO THE FIFTH EDITION,

CONTAINING

Observations on the Steps necessary to form a Bank, and the System on which its Accounts ought to be kept.



AN alteration in the Charter or exclusive privileges of the Bank of England, has at length been made, and the reader is referred to the Preface for many of the particulars which have taken place in reference to the subject, since the first publication of this Pamphlet. An Act of Parliament has been passed, which limits the exclusive privileges of the Bank to within sixty-five miles of London ; and enables Joint Stock Banking Companies to be formed, in any part of England exceeding that distance from the metropolis, without the necessity of further application to Parliament. The following are the heads of the Act.

That Banks, with more than six partners, may be established at any place or places in England, situated upwards of sixty-five miles from London, provided they have all their Banking establishments, and carry on their business as Bankers, in such places, and not within the distance from London prescribed ; and provided the Shareholders in such Banks shall be liable to, and responsible for, all bills or notes issued by them.

That it shall not be lawful for these Banks, or any person on their behalf, to draw bills upon London on

demand, or for a less sum than £50. ; but this is not to prevent their drawing bills, payable after date, for sums of £50. and upwards.

That these Companies shall have the privilege of suing and being sued by a public officer.

That the names of two public officers, for that purpose, shall be registered at the Stamp Office, in London ; together with the name or title of the Bank, and the residences of all the Shareholders, as they appear on the books of the Company.

That parties who shall sell, or transfer their shares, such transfer being registered at the Stamp Office, shall not be liable for any of the subsequent transactions of the Bank, and, after three years, shall cease to be liable for any which occurred during the time they were Shareholders.

That these Banks may compound for the stamp duty upon the notes they issue, at the rate of seven shillings per cent. upon the amount in circulation.

The Act contains, besides, various other provisions for carrying those above mentioned properly into effect.

By the discussions in Parliament which took place on the passing of this Act, it appeared that Ministers were very desirous to grant Charters, which should limit, to the amount of their subscriptions, the responsibility of the Shareholders of such Banks as might be formed under it ; but this was resisted by the Bank of England, it being at the same time understood, that in places where the Bank of England did not establish agencies, it would have no objection that Charters should be granted, and there can be little doubt, from what passed upon the subject, that, in a year or two, such Charters will be granted to any Banks which may be formed.

Every Bank, however, can limit the responsibility of its Shareholders, by an arrangement of its own, quite as effectually, for every practical purpose, as by a Charter; while it must be observed, that the apprehensions entertained by those who wish for Charters, are altogether groundless. They would be dissipated at once by a practical knowledge of the proceedings of a Joint Stock Banking Company; and they might be overcome with the trouble of a very little consideration of the subject.

There are simple and obvious rules for Banking, which, if adhered to, losses will seldom occur, especially in the country, where people's circumstances are in general well known to the Banks with which they deal: it is by going out of the common road that Bankers lose money. Were we to examine the cause of all the failures which have occurred in this country, we probably should not find one in which those rules had been strictly adhered to. But a Board of Directors must adhere to rules; and were we, on the other hand, to examine into the proceedings of all the existing Joint Stock Banking Companies, we should hardly find one, at least with a properly constituted Board of Directors, in which these rules were ever departed from. It is very difficult for a Board of Directors to move out of a beaten track, when it is a safe one. All in general must agree to do so, and when all agree, danger of any kind need hardly be apprehended.

On the first establishment of the Provincial Bank of Ireland, many of the Directors had doubts about the propriety of forming it without a Charter to limit the responsibility of the Shareholders; but reflection, in the first instance, and subsequent experience, have proved to them how perfectly chimerical those fears were, and

have removed every apprehension on the subject. Neither have the Directors of the Bank of Ireland thought the limited responsibility of their Stockholders of any value. It was granted upon conditions with which the Directors have not thought it worth while to comply ; and each Shareholder is now under the same liability as he would be in any other Bank.

Every Bank, however, as we have before stated, can practically limit the responsibility of its Shareholders. Let it insert a clause in its Act of co-partnership, or Deed of Settlement, which shall stipulate that if ever it shall lose 25 per cent. of the capital advanced, it shall, by such loss, be dissolved *ipso facto* ; and this would answer all the purpose, with regard to a limitation of responsibility, for which a Charter is required *.

Not indeed that a Public Banking Company could be carried on until it lost 25 per cent of its capital ; more especially if its capital was any thing like as great, in proportion to its business, as it must be, before it could obtain a Charter. The losses by legitimate Banking come gradually : every security when taken is esteemed good, and it is only occasionally, even with ill-managed Banks, that they prove otherwise.

If we examine the effects of the late panic, we shall find that hardly any of the Banks have lost much money by bad debts, notwithstanding the commercial failures

* In the prospectus and resolutions for founding the Huddersfield Bank (see *Appendix*), there is the following clause :—“ That if ever “ the Bank shall lose 25 per cent. of the paid-up capital, the Directors “ shall, within twenty days, call a general meeting, and lay a “ statement of the affairs of the Bank before it, when the Company “ shall be dissolved ; or, if any of the Shareholders are desirous of “ carrying it on, they shall be at liberty to do so, after paying the “ dissentients the value (properly estimated) of their shares.”

that have occurred: the public have suffered by those failures, and not the Banks. In general those Banks only have failed, the ruin of which had been effected previously by a long course of bad management, and who, had they been obliged to produce a yearly balance sheet of their affairs, must have stopped long before.

Such would also be the case with a public Company; it could not go on without gaining money; the Shareholders would lose confidence in it, if the public did not. Nothing but success will ever satisfy the Shareholders of a Bank; its capital is always entire; it can be, without any material loss, divided amongst them at any time; and should the Bank ever cease to pay dividends, the Shareholders would at once infer that the management was bad, or the business not worth the pursuing, and would dispose of, or dissolve, the concern.

After losing any part of its capital, therefore, the Bank would have to be given up; but if it be inserted in the Deed of Settlement, that in event of its losing 25 per cent. of it, the Company shall be dissolved, the responsibility of the Shareholders would be as effectually limited, for every practical purpose, as need be desired *.

The only other provision in the Act which demands particular notice, is that which limits the drawing Bills upon London to sums exceeding £50.; an absurd provision demanded by the Bank, which, it is generally understood, will be altered the first opportunity; but, in the meantime, the difficulty it appears to present may be overcome without much trouble or inconvenience. The clause prevents any Bank with more than six partners, or any agent on its behalf, drawing upon

* In the plan suggested for the Union Banks of Lancashire (for which see *Appendix*) the limitation in question is still more effectually secured.

London, or issuing any bill or promissory note, *of the co-partnership*, which shall be of less amount than £50.; but it does not prevent any such Bank from supplying the public with the promissory notes of its London agents. These may be signed and made payable to the Bank without being filled up, and it can fill them up for the sums required, and indorse them to its customers, as they are wanted. As these notes must have the indorsement of the Bank upon them before being issued, they could not be issued, notwithstanding the acceptance of a London Agent, without forgery, by any party but the Bank, and would answer the purpose of all parties quite as well as bills drawn in the usual way.

In other respects the Act appears to be unobjectionable, and there is little doubt that so soon as the commercial world shall recover from its present embarrassments, if not before, the public will begin to avail itself of the privilege of forming Joint Stock Banking Companies under it.

Where such a disposition exists, however, its development may be retarded, for want of some general idea how such an undertaking should be set about; and perhaps a few observations on that head, though they will appear trifling to many, may not be unuseful to those who are called to think upon the subject for the first time. We would premise, however, that they are merely proposed as hints for consideration. Local circumstances will render that line of proceeding the best in one case, which would be the worst in another.

No Bank can be established without persons of intelligence and respectability are willing to join in forming it, and such persons will naturally give the subject proper consideration beforehand. To enable them to do so more effectually, I would venture to recommend that

this Pamphlet, and any other work that may appear upon the subject, should be put into their hands.

This having been done, and they are in some degree prepared for the consideration of a specific measure, the party disposed to take an active interest in the business, should draw out a prospectus of such an establishment as appears to be wanted. However few copies of this prospectus it may be the intention to circulate, it will be better to have it printed. People in general can give attention to the subject matter of any thing in print, better than if it were in manuscript.

This prospectus will, of course, not be intended for the public, unless it shall be hereafter adopted by the parties who shall meet to form the Bank. The object of it will be merely to bring them together, which it would perhaps be difficult to do, at least for any useful end, without the purpose of their meeting was clearly defined beforehand.

The prospectus which is issued to the public, forms the basis of the agreement upon which the Bank is founded, and the terms of it cannot be departed from without the consent of every individual Shareholder. It ought not, therefore, to enter into unnecessary details, or pledge the Bank to any mode of doing its business, or disposing of its capital. This must be regulated by circumstances. Three or four prospectuses are given in the Appendix, which may perhaps be useful to those who have never before been called upon to prepare a document of that nature *.

* In one instance of the successful formation of a Bank, the gentleman who set it on foot being a man of business and of considerable literary talent, but of no literary vanity, finding such arguments in these prospectuses as suited his purpose, formed one out of them.

Should the undertaking appear desirable and practicable to those who have been consulted upon the subject, a meeting of them should be called, at which resolutions declaratory of the value and desirableness of such an establishment should be entered into, and a Committee appointed to carry it into effect.

It is not necessary that this meeting should be large, or that all the members of the Committee should be at it; it is of more importance that it should be unanimous, and disposed cordially to co-operate in furthering the measure.

The Committee should keep regular minutes of all its proceedings from the first; it adds weight to them even in the estimation of its own members; for nothing can be said to have been agreed upon by a body, that is not recorded: the memory of a Committee must be a written one.

On the shares being allotted, or when the application for them is made, a deposit of 1 per cent. should be demanded as an earnest of the intention of the parties, as well as to meet the expences which must be incurred before the capital is called up; no body of persons can act together without expence, or without funds to meet that expence. This deposit might be exclusively appropriated to the payment of the expences incurred in forming the Bank: these expences will otherwise have to be paid out of the first profits.

The capital having been subscribed, or sufficient to induce the Committee to proceed with the undertaking, and of course a certain number of persons being willing to join together, on certain general principles pointed out in the prospectus, for the purpose of carrying on the trade of Banking; the next subject for consideration will

be, the act of co-partnership or deed of settlement by which they are to be united. This is a matter of some nicety and importance, and it ought to be prepared by an eminent counsel, experienced in the drawing of such deeds. For this purpose, instructions should be furnished by the solicitor of the Company, and the draft of the deed, when prepared by counsel, ought to be submitted to the Committee, who ought to make themselves master of it. To facilitate this, for the provisions will be found numerous and the deed long, an abstract should be prepared, and a copy sent to each member. After they have had time to consider it, the Committee should go over it, clause by clause, and make or suggest such alterations or additions as they may think proper. The construction of it will be technical, but it is an agreement between the Shareholders, and must be rendered consistent with their general interests, of which the Committee will be the best judge.

The terms of the deed of settlement having been settled, the names of the first Directors will have to be inserted in it, and they must be chosen. With this view, a general meeting should be called, and a list prepared, beforehand, of such gentlemen as the Committee would recommend. The members of the Committee, if desirous, will of course be the Directors proposed; but in the Committee for forming the Bank, there may be gentlemen who could not be expected to take any part in the management of it. Many persons of influence will be desirous to promote the formation of such establishments for the benefit of the country, and be happy to become members of any Committee formed for that purpose: to such aid a Bank may be highly indebted, without their taking any practical share in the

business, and of course without their becoming Directors, or holding any appointment not merely honorary. The Directors should consist chiefly of merchants and gentlemen who have been practically engaged in business, if such are to be had.

The safe management of a Bank chiefly depends upon the circumstance of its being under the control of a Board of Directors, but the energetic and successful management, upon the zeal and ability of its chief officers; and it might be desirable, at this Meeting, to be able to state who it was proposed these officers should be.

In every Bank there must be two principal officers at least, one who has the general management under the Directors, and one who has the charge of the accounts. Besides these, if the Bank shall have branches, an officer to visit them occasionally will be necessary, which is an appointment of some importance. But as every Bank will naturally turn its attention to the formation of the parent establishment in the first instance, the appointment of this officer may be a matter of after consideration.

Of the two former, one at least we should be disposed to say ought to be brought up in a Scotch Bank. The national prudence of the Scotch makes them good Bankers, independent of their experience in the mode of doing the business, and managing the accounts, of Joint Stock Companies *.

* By aid of the explanations which follow, I find that an intelligent English Banker has not any difficulty in framing a proper system of accounts; whereas a Scotch Banker is sometimes apt to think the system of the Bank in which he has been brought up to business the very best in the world, and that it ought to be adopted with all its peculiarities.—Note to 6th Edition.

The Directors of the Provincial Bank of Ireland, with two or three exceptions, have obtained all their principal officers from Scotland, who, in every instance, have given the highest satisfaction.

The difficulty, indeed, of obtaining a correct knowledge of the personal character of the applicants in London, which did not exist with regard to those in Scotland, may have induced the Directors of the Provincial Bank to go further in choosing their officers from that country than any Bank formed in the provincial parts of England may find necessary, but the propriety of obtaining, at least, one person from Scotland, provided such a person can be obtained, possessing a sufficient degree of talent and experience, must be obvious.

The Directors of that establishment despatched the Author to Scotland, with authority to advertise for applications, see the parties, and take such steps as might appear advisable for choosing the persons they required. Such a choice, however, he soon found, could not be made by a stranger; he, therefore, with the approbation of the Directors, appointed a professional gentleman, possessing the requisite qualifications for such a trust, to receive the applications, make the necessary inquiries regarding the parties, see them, and report the result of his inquiries and observations to the Directors. This he did in a manner which completely justified the confidence reposed in him; and from his reports, and such other information as they could obtain, they selected those officers whom they have appointed, with so much satisfaction to themselves and advantage to the interests of the Bank.

From the principal officer of the Bank, who is respon-

sible for the safe custody of the cash, security to the extent of eight or ten thousand pounds, or upwards, ought to be required*. From the accountant, tellers or cashiers, clerks, &c. from one to two thousand. As the accountant has nothing to do with cash, security is sometimes not taken from him; but every person about a Bank ought to give security, if it were only as a test of character and respectability. The chief officer is held responsible for the tellers, who, consequently, must give their securities to him. It may, at the same time, be observed, that though the chief officer is responsible for the cash; he is not exclusively entrusted with it. There must be two keys to the chief repository of notes in the safe, one of which is kept by a Director or other officer. The notes in current use are kept in the teller's box. They are counted every night by the chief officer, and the box, of which the teller has the key, is deposited in the safe, so that no person is exclusively entrusted with the keeping of the money. Not, indeed, that the precautions on this point, as regards the chief officer, are almost ever necessary; but they are proper, notwithstanding, and may as well be observed as not.

The Directors and officers being appointed, and the deed signed, the Company must be registered in the Stamp-Office, pursuant to the Act of Parliament. The notes must, likewise, be prepared, and a system of accounts arranged: when this is completed, and a part of the capital called up, the Bank will be ready for business.

* Some of the Scotch Banks demand much larger securities from the principal officer.

With respect to the system of accounts which we have next to consider. In the common mode of book-keeping by double entry, with which all merchants are familiar, every transaction is entered in one journal and one ledger. An account in the ledger is opened for every person who has dealings with the house, and for every speculation or investment in which its capital is employed. An account is likewise opened for the capital in the trade, and one for the profit made and the losses incurred. These, with the account of cash, or money paid and received, which is usually kept in a separate book, embrace the whole affairs of the concern.

But though the ledger thus contains every particular of the transactions and circumstances of the house, it will, at the same time, only give explanations in detail. Reference to it can be had only as to particular accounts. In order to be put in full possession of the general state of the transactions, it is necessary to take out and bring into one view the balance of every individual account, and of course to balance every account for that purpose. This is a work of some labour, which interrupts the regular course of business, and can only be done once or twice in the year.

The balance of each account is either a Dr. or a Cr. balance; it shows either a sum due to the house by some individual, or some speculation, or the converse; and, if a list of each class of balances be made, including that of cash, they will agree in amount, provided the accounts have been correctly kept.

These lists will give the balances in the order in which they stand in the ledger, but every merchant finds it necessary to have a more comprehensive view of his situation. He wishes to know the extent of capital

employed in different speculations, and the amount of the debts he owes on the one hand, and what is due to him on the other, so that he may at once know how he stands at present, and how to govern his future proceedings. With this object, he will make separate lists of his debts and credits, and other classes of accounts, so as to ascertain the totals of each. Indeed, every merchant must, at all times, have some such general idea of his engagements and resources, or he would never be able to conduct his affairs with the requisite judgment and prudence. But, if he be in any extensive trade, he cannot obtain a complete and accurate statement more than once or twice a year.

Such a statement once or twice a year, for a merchant, may perhaps be sufficient; but a Banker is obliged to pay off the greatest part of his creditors at a moment's notice, if called upon, and ought to know, at all times, with great accuracy, the amount of his credits and the state of his funds and resources. Those Bankers, notwithstanding, who keep their accounts in the common manner, cannot, any more than merchants, balance them above once or twice in the year; and, in consequence, have sometimes a very imperfect idea of their engagements, and take steps they have too often occasion seriously to repent.

When the transactions of a Bank, however, become extensive, and the posting of the cash-book * and ledger become too much for one clerk to accomplish, it is ob-

* The cash-book is to a Bank what a journal is to a merchant, namely, the book in which every thing is entered before being posted to the ledger. The only difference is, that the cash-book, like most of the other books in a Bank, has a Dr. and Cr. page, which a journal has not.

vious that more ledgers and cash-books than one will be necessary, under any system of book-keeping; and two modes of multiplying them may be adopted. First, the accounts may be divided alphabetically, and ledgers and cash-books be kept for the different letters of the alphabet; and next, the accounts may be classed, and cash-books and ledgers be kept for the different classes. The former would be an extension of the common mode of book-keeping; the accounts would be mixed in one mass as before, and give the Banker no general idea of his situation. But this would not be if the accounts were classed: in that case it would be a matter of no difficulty to produce a correct account at all times of both the funds, debts, and credits of the Bank, so that a clear view of its situation might at any time be had. We shall say, for instance, that the Bank has two classes of persons who deposit money with it: one class who place sums at interest, and have no running account; and another class who have an open account, and at all times keep a balance in its hands; and that it is desirable to know the amount of deposits by each class. If each class had a separate cash-book and ledger, each cash-book, on being added up at night, would show the amount of money which had been paid in on the one hand, and drawn out on the other, through the day, by each description of depositors; and if the amount of every day's receipts and payments by each were carried to separate accounts, in a book for that purpose, these accounts would at all times show the total amounts of deposits which each class had in the Bank.

Thus we shall suppose that fifty people, who have current accounts, pay in to their accounts, in the course of the day, £40,000. altogether, and that forty people

drew out £30,000., it would appear, on adding up the current depositor's cash-book, that £40,000. had been received on the one hand, and that £30,000. had been paid on the other, making a balance of £10,000. which the lodgments by that class of depositors had been increased. Now by carrying each day, from the commencement, to one account, the results thus obtained, the balance of this account would show, at any time, the amount of lodgments which this class had in the Bank. This, with regard to every class of accounts, whether creditor or debtor, is precisely what a Banker wishes at all times to know; and by carrying this principle of classification throughout all the transactions of the Bank, he could constantly possess the information desired: and this too by merely increasing the number of books, without any material addition to the quantity of writing: for, by classing the entries, he would not increase them.

Let us suppose, then, that all the accounts of a Bank are divided, as above-mentioned, into such classes as are necessary to give a complete view of how it stands; that, in a book or ledger for that purpose, a head is opened for each class, to which the gross amount of transactions in it, both Dr. and Cr., are posted every day. By taking out of this book the balance of each account, and arranging them Dr. and Cr., we should have such a balance-sheet as the Banker, who keeps his accounts on the common plan, can only obtain once or twice a year with great labour; whereas, in consequence of there not being more probably than fifteen or twenty accounts in this book to balance, a statement can be obtained from it in an hour or two, whenever it is wanted, without interrupting the general business of the Bank.

The most improved system of Bankers' book-keeping is founded upon this principle of classification. In a book or ledger, called the general ledger, there is a head for every class of accounts, and for those particular accounts, the state of which must be known at all times. There is besides a general cash-book, in which the result of each day's transactions from the different subsidiary cash-books are first entered, and then posted to their respective heads in the ledger, from which such a balance-sheet as the following may, at any time, be produced.

*Pro Forma Account of the Balances in the General Ledger
of a Bank.*

Dr.		Cr.
Invested in London.....	£ 790,000	£
Cash in the hands of the London Banker.....	50,000	500,000
Bills in hand of ditto	150,000	Money deposited on receipts bearing interest.....
London bills discounted in hand	50,000	500,000
Local bills discounted ditto...	600,000	Balances on current accounts
Past due bills.....	5,000	500,000
Lent on cash accounts.....	400,000	Notes in circulation
Ditto on mortgages.....	300,000	500,000
Cost of Bank-house & Offices	5,000	Bills current upon London...
Cash on hand.....	50,000	200,000
	<hr/> <hr/> £2,400,000	<hr/> <hr/> £2,400,000
Bills received for collection	£20,000	

Such a statement as the foregoing ought to be laid before the Directors of a Public Bank at least once a week. The cash on hand ought then to be counted by them ; and if the cash be found right, all the accounts will be correct also.

It will be proper to observe that we are exclusively speaking of the books kept by the accountant, and not by the teller who receives and pays the money. He

makes no distinctions in his cash-book : nor would he have time to make any. He enters the money in the order in which he receives and pays it. His cash-book is his own account of his own doings, and has no connexion with the other books of the Bank. When a person brings a check for payment he must first present it to the accountant, who will enter it, and put his initials to it, and then it must be presented to the teller, who will pay it. On the contrary, when a person pays money into the Bank, the teller, on receiving it, will give the party a printed slip of paper, in which he has inserted the amount, and to which he has put his initials. The person must then present this slip to the accountant, and from him obtain whatever receipt he may require. In short, until he has presented the accountant with this evidence of his having paid the money into the Bank, he has no right, strictly speaking, to expect credit for it in its books *. The same principle must be adopted with all the transactions of the Bank : the teller must pay nothing without the imprimature of the accountant, and receive nothing without giving the party an acknowledgment, to hand to him. By this means, the accountant will be able to record the particulars of every transaction, totally independent of the teller ; and not having any thing to do with the care of the money, he will be enabled to give his whole attention to the proper classification of the entries. Upon casting up the general cash-book at the end of the day, the accountant ascertains how much money has been paid, and how much received, and, of course, how much more or less

* The Scotch Banks make the party paying money into the Bank insert the amount so paid in the printed slip themselves.

money the teller ought to have in hand at night than in the morning.

This plan, of persons applying to two clerks in the Bank on paying and receiving money, may appear troublesome, but it is not so in practice; while, in a Public Bank, it is necessary not only that a perfect check should be kept against the teller, but that the accountant should be able to post his books without interfering with the teller, or their troubling or retarding each other.

The statement from the general ledger, of which we have given an example, will, as before mentioned, prove the correctness of the accounts of the Bank, and, of course, render it necessary that the accounts be kept correctly, in order that this statement may prove them to be so.

By this system an unintentional error could not occur without its being apparent, and a fraudulent error would be very difficult, if not impossible, without a collusion between the teller and accountant. The most practicable kind of fraud would be for them to agree to make a wrong addition of their respective cash books, and for the accountant to make a corresponding error in posting to the general ledger. Thus the teller might add up his cash book so, that the amount might be £100. less than he had received, and the accountant the same. By this means the teller might put the £100. in his pocket; and, in order to make the general ledger balance, the accountant might carry £100. short to the debit of the current deposit, or any other account, and the deficiency of the cash would not be observed. The proper check against such a fraud, of course, is to sum up the cash books after

the teller and accountant: for which purpose there should be two sets, to be used on alternate days, so that one set might be left in the hands of the managing officer for his inspection. Any attempts to falsify the account of an individual would be more difficult, as the customers of the Bank generally know whether or not credit is correctly given them for the sums paid into the Bank; or whether they are charged with more money than they have drawn out.

With proper vigilance, however, on the part of the principal officer, fraud may be rendered nearly impracticable. This vigilance ought, also, to be exercised with regard to the private character and conduct of all individuals holding places of trust in the Bank, as well as to their accounts: for men are led by folly into fraud. It is desperate circumstances which generally lead them on to desperate expedients *. But the Bank, it must be observed, is, in general, freed from the consequences of such frauds, as the chief officer is security for the teller, who, on the other hand, gives security to the chief officer. Hence if the latter, by inattention, and a want of proper investigation, permits a teller to commit a fraud, the loss, if any, falls upon himself.

The weekly balance sheet will likewise exhibit not only the general state of the affairs at the moment, but the variation which has occurred, and is occurring, in the amount of notes in circulation, the amount of its deposits, its funds in London, &c. by which the Directors will be able to regulate their loans, and other transactions, so as to accommodate themselves to those changes, as they arise, to which every Bank is subject.

* The checks are always more perfect in a large Bank, where there are many clerks, than in a small one, where there are few.

In order to mark these variations more distinctly, and keep them always in the eye of the Directors, it would be useful to have a book ruled with columns, corresponding in number with those items in the statement which it is proper to keep in view. In these columns the particulars of the items should be weekly entered, a column being appropriated to each item, and each week's statement forming a line, thus :

Record of certain Items in the Weekly Balance Sheet.

Date.	London Investments.	With London Bankers.	Current Deposits.	Notes in Circulation.
January 2	790,000	50,000	500,000	500,000
9	830,000	55,000	549,000	501,000
16	840,000	49,000	550,000	505,000
23	850,000	50,000	540,000	525,000

By this means the Directors would have such of the transactions of six or twelve months, as they wished to keep in view, presented to them on opening a page, and would be able to refer a number of years back by turning over a few leaves.

Some of the entries in the general ledger, as will be observed by the *pro forma* statement, contain one account only, and not a class, such as the "Cost of Bank-House and Offices," which cannot be included in a class, unless the Bank should have more house-property, and the London Bankers' account, the state of which it is necessary to know daily. For these accounts, and one or two more which we shall speak of hereafter, no other books than the general cash-book and ledger are requisite, but for the rest either separate

cash-books, or separate ledgers, or both, will be desirable, if not necessary.

In some Banks, however, the particulars of every transaction are entered in the general cash-book at once, and in no other, though different ledgers are used. This, with a very limited business, may, with advantage, be adopted; but, with numerous transactions, it causes a great deal of unnecessary posting, and does not admit of that division of labour amongst different clerks which is necessary, and which is always conducive to accuracy and despatch.

When one cash-book only is kept, the entry is posted both to the account to which it belongs in the general ledger, and to the personal or other account in the separate ledger of its class. Thus, if A has a current deposit account, and pays in £100., B has a cash-account, pays in another £100., and C has lodged £100., for which he has received an interest-receipt, they would be entered in the general cash-book as follows:—

Dr.												Cr.
	Current	£	s.	d.	de	po		sit-ac	count			
		A.										
—	Cash-a	100	0	0	cc	ount	s.					
—	B											
—	Depos	100	0	0	it-re	ceipt	s.					
—	C											

From the general cash-book, the £100. paid in by A would be posted to the credit of current deposit-accounts in the general ledger, and to the credit of A's personal account in the separate ledger which contained the current deposit-accounts. The entry in the cash-

book would thus be posted to two ledgers, which would be the case, also, with the payments of C and B, making in all six postings. If A, B, and C, indeed, should belong to one class, and happen to come together in the general cash-book, then two postings would be saved; the three sums would be added up into one, and be carried in one line to the general ledger; but if other entries came between them, each £100. would still have to be carried to the general ledger separately.

If there should be—say fifty transactions in a day in each of these classes of accounts mixed up with each other, and with other entries, the probability would be that there would be thirty or forty postings to each account in the general ledger; whereas, if each class had a separate cash-book, subsidiary to the general cash-book, the total amounts only of the receipts and payments would be carried to the general cash-book, and in place of forty postings to the general ledger, there would only be one.

The particulars of many transactions may, no doubt, be entered in the general cash-book, without multiplying labour, and whenever this can be done there will be no propriety in multiplying books unnecessarily.

We shall now examine in detail the different books and modes of entry necessary, in an extensive Bank, for each class of accounts, enumerated in statement, p. 87, to which statement we beg the reader's particular attention. We shall begin with

CAPITAL, the first item on the credit side of the account. For the stockholders, there must be a separate ledger, and with each of whom a personal account must be opened. When the capital is once paid up, no further receipts and payments on account

of it will occur ; and, of course, no further entries in any cash-book be required. For this class of accounts it will not be worth while, therefore, to have a separate cash-book, which would only be required at the time the capital was called up. The particulars of each payment may be entered into the general cash-book at once, and from thence be posted to the personal account of each party in the stockholders' ledger, or they may be entered in the transfer journal, of which we are about to speak.

The stockholders cannot, of course, withdraw any part of their capital after it is paid up ; but they can transfer it, and a journal must be kept, in which to register such transfers. These transfers will make no difference in the total amount of the capital, and no notice of them is, therefore, required in the general cash-book and ledger. If A shall sell, or transfer, £500. of the stock to B, the particulars of such sale and transfer must be entered in the journal above mentioned, and £500. must be posted to the debit of A's account, and the credit of B's ; or if B held none of the Company's stock before, a new account will have to be opened for him : thus the stock may be transferred from one name to another, but the total amount of stock, in the stockholders' ledger, will remain the same. If the capital be also entered in the transfer-journal as it is paid up, the amount received each day will, of course, have to be carried into the general cash-book, and from thence to the general ledger, but the transfers, as before mentioned, will be posted to the stockholders' ledger only.

The account in the stockholders' ledger is all that it is necessary to keep with the parties ; it is all that the

Banks of England, of Ireland, and the Bank of Scotland keep, and it is the mode in which the accounts are kept with the fundholder. Some companies number their shares, and keep an account of each number. This causes a great deal of additional accounting and much inconvenience, without offering one single advantage in return. The shares cannot be made transferable from hand to hand, like a promissory note or an Exchequer-bill, otherwise numbering would be proper ; but in that case, personal accounts with the stockholders would be unnecessary.

The DEPOSIT RECEIPT and CURRENT DEPOSIT Accounts.—These two classes of accounts it is proper to keep separate, as different rates of interest may be allowed upon them, or if not, the latter may be subject to a charge of commission ; besides which, as deposits, the latter are more to be depended upon. The former class of depositors lodge their money for the sake of the interest only, and often withdraw it for other purposes, when money becomes more valuable ; whereas, the latter class keep their deposits for the convenience of their trade, and feel it necessary always to have a certain balance in their bankers' hands, whatever changes in the value of money may take place : it is, therefore, at all times desirable to know the amount of deposits by each. There must, for this purpose, be a head for each class in the general ledger ; and, as before-mentioned, a cash-book for each also. Some Banks keep no personal ledger account with the holders of deposit receipts—all the deposits and payments are carried to the general account alone, and a register is kept of the receipts issued, which receipts must be produced by the parties when they demand payment, either of principal or interest : by this,

the trouble of opening heads in a ledger for this class of accounts is, of course, saved. If this practice be adopted, the old receipt should be cancelled when any partial payments are made, and a new one granted. The record of each receipt, by this means, will always show the state of each person's account.

NOTES IN CIRCULATION.—For these there must be a head in the general ledger, and, at the end of each day, the gross amount, or balance, paid away or received, must be entered in the general cash-book, and posted to such head, which, consequently, will at all times show the total sum of notes which the Bank has out. The particulars of the notes must be kept in other books, which have no connexion with the general cash-book. There must be a register of the number of each sort made, and of each sort cancelled, and the balance of these two accounts will either be in circulation, or in the Bank. Of the amount and kinds in the iron safe, there must be a particular account kept in a book for the purpose, and, also, of the amount and kinds delivered out to, and received from, the tellers; the tellers must, also, keep an account of the kinds they have on hand at the termination of each day. By deducting the amount of each sort in the Bank, from the balance of each sort in existence, the amount of each sort in circulation will, of course, be obtained.

Some Banks consider their notes money in their own hands, and enter them as such, when they are made, or, at least, when they send them to their agents; but the notes of a Bank are never money, either in its own or its agents' hands, and to state them as such only falsifies and obscures the accounts, without being productive of any convenience. The note account

against the agent, as well as that of the Bank, should be a separate one : notes should never be considered cash until they are issued, and have become so in point of fact.

BILLS CURRENT UPON LONDON.—These, as they are granted, must be entered in a separate bill-book, ruled as such books generally are : this book is subsidiary to the general cash-book, to which the total amount of the bills must be every day carried, and the general account in the general ledger credited for the cash received for them. As they are paid the London Banker must be credited, and this account, of course, debited with such payments. Each bill will be drawn upon a stamp, which will sometimes be charged to the purchaser of it, and sometimes not ; a charge of interest will also be made when the bills are drawn at less than the regular date. Of these charges, an account should be kept in a column ruled in the bill-book for that purpose, in order that the total amount of them may be each day known, and carried to the credit of profit and loss in the general cash-book and ledger, as well as to a particular account in the profit and loss ledger, of the interest, &c. received on these bills.

Some Banks have a head in the general ledger for stamps, to which is charged the quantity purchased, and in which credit is given for the amount sold and used ; but the item is much too trifling for a head in the general ledger, which ought to contain as few accounts as possible, consistent with the object of giving a comprehensive view of the affairs of the Company. It will be better to charge the stamps to the debit of the particular account of interest received upon these bills ; it is a charge against them which must always be made

when the profit upon them is estimated, and it may as well be made at once, by which trouble will be saved.

UNCLAIMED DIVIDENDS.—There must be a head in the general ledger for dividends, to the credit of which the total amount of each yearly or half-yearly dividend should be carried, as it was declared, and the account of profit and loss, of course, be debited with it. There must, likewise, be a dividend-book or ledger, in which is entered the amount of interest due to each stockholder, and a separate cash-book, in which the dividends must be entered as they are paid. From this cash-book the payments must be posted to the dividend ledger, and, at the end of the day, the amount paid must be carried, in one sum, to the debit of dividends in the general cash-book and ledger, and the balance of the account in the latter, will show the amount remaining unclaimed.

LONDON INVESTMENTS.—The Bank must always have a considerable sum of money in London, invested in different securities, and employed in different ways, which can be, at any time, rendered available, should it be wanted. The total amount so employed is all that is required in the general statement; but the amount invested in each kind of security, &c. must also be preserved. For this a separate ledger will be necessary, but not a separate cash-book, as the entries will be few in number, and never made more than once a day. The accounts in this ledger ought to contain the particulars, in full, of each purchase and sale, so that the transactions in each kind of stock may be seen, without further reference, upon turning to its respective head.

LONDON BANKERS' CASH ACCOUNT.—For this account no other books than the general cash-book and

ledger are required. The London Bankers will regularly advise the Bank of the bills collected and money received, and of the bills discharged and money paid, on account of the Bank, which may be passed through the general cash-book at once.

LONDON BILLS IN THE BANKERS' HANDS.—The remittances to London consist chiefly in bills; these will be held by the London Bankers for the Bank until they become due. Credit will then be given by the London Bankers for the cash received for them, and those which are not paid will, of course, be returned. As these bills will be entered in a bill-book when discounted, it will not be necessary to enter them at the same length again when remitted to London. If the remittances to London are not numerous, the particulars of them may be entered in the general cash-book at once; but if they are, it will be better to enter the list of the bills sent in a separate book, and the total of each remittance in the general cash-book. From such book any clerk will then be able, without interfering with the general cash-book, to write up the account, which it is necessary to keep, of the days on which the bills fall due, and the amounts due on each day. This must be known, in order that the Directors may estimate the funds the Bank will have in its agents' hands at particular periods, and give orders or provide accordingly.

There must also be a similar account kept of the Bills drawn upon the Bankers, which they have to pay. These two accounts it would be better to keep in one book. The bills to be received each day on the one side, and those to be paid on the other.

LONDON BILLS DISCOUNTED.—These bills must be

kept separate from the local bills ; and, as they are discounted, must be entered in a bill-book, in which must be a column for the interest and charges upon them that have been received. From the bill-book, which is subsidiary to the general cash-book, the amount discounted each day must be carried to the debit of the general account in the general cash-book and ledger, and the amount of interest to the credit of profit and loss in the general cash-book and ledger, as also to the particular account of profit on these bills, in the profit and loss ledger. When the bills are remitted to London, this account must be credited in the general cash-book, with the amount of each remittance in the gross, the particulars being recorded in charging the account of bills in the London Bankers' hands, with the remittance as before mentioned.

It may be proper to observe, that it makes no difference with reference either to this account, or the account of local bills discounted, whether the bills be discounted for cash, or the proceeds be carried to the credit of the accounts of the parties discounting them. In the latter case, the parties will have credit given them for the cash, the same as if they had received it over the counter for their bills, and paid it back again into the Bank, to be placed to their credit.

LOCAL BILLS DISCOUNTED.—For these the same kind of bill-book, &c. will be required as for London bills discounted. As the bills are paid, the general account must have credit given it for the amount so paid, as also for those which are returned and carried to the debit of the past-due bill account ; the daily list of both which can either be entered in the general cash-book, or in a book kept for the purpose. The latter

would, perhaps, be preferable, as a clerk will have to post them to the discount ledger, &c.

Some Banks have a column in the bill-book to mark the bills that are paid, which a clerk must post up from the last-mentioned list ; but this is a waste of the clerk's time. For, besides the list of those which have been paid, there must be a particular list kept of those which have been returned, and those which are not in the latter must be in the former. A case cannot well be conceived in which the entries in the bill-book, of the bills having been paid, would ever be referred to, or be of any use. After a bill is paid, and the cash received for it is entered in the proper accounts of the Bank, the Bank can want to know nothing further respecting it.

PAST-DUE BILLS.--Of these there must be a proper record, so as to keep them constantly in the view of the Directors, until they are paid by one party or another, or until every step that shall be proper has been taken to obtain payment. When an undoubted loss has been incurred, it will be proper to credit this account with it, and carry it to the debit of profit and loss.

CASH ACCOUNTS.--For these accounts a separate cash-book and ledger will be necessary, the same as with current deposit accounts. The presumption is, that every person having a cash account will be indebted to the Bank ; but cases will frequently occur in which persons have ceased to make use of their credit, and, on the contrary, keep a balance in the hands of the Bank. When this happens, their accounts should be removed to the class of current deposit accounts, or otherwise the general statement will be falsified. Thus, for instance, if, in the class of cash accounts, there were

a hundred parties who owed the Bank a thousand pounds each, and one hundred that had a thousand pounds in its hands, the Bank would have a hundred thousand pounds deposited with it, which it was liable to pay at a moment's notice, and a hundred thousand locked up, and not available to meet any sudden pressure. But if the accounts of both those classes were mixed up, and posted to the head of cash accounts in the general ledger, they would balance each other, and the Bank would not appear indebted a shilling, or have a shilling indebted to it, by that class of its customers. Whenever, therefore, a party ceases to avail himself of his cash credit, and becomes, in point of fact, a current depositor, his account must be removed. This will occasionally give trouble; and in cases where a person has temporarily overpaid his account, and become a depositor only for a short time, it cannot be done; but there is no avoiding this inconvenience; and, for the inaccuracy which such accounts may occasion, an allowance must be made in any calculations founded on the general balance-sheet, or otherwise the instances must be noticed by the accountant as they occur, and a correct list of them kept.

MORTGAGES.—For these a separate ledger will be necessary, but not a separate cash-book. A book, properly indexed, must also be kept, in which an abstract of the nature, value, and other particulars of the securities that the Bank may hold, must be recorded; but this book will be for the use of the Directors in reviewing the state of the securities, it will have no connexion with the accounts of the Bank.

BANK-HOUSE, &c.—For this investment no other account is necessary than that which will be contained

in the general cash-book and ledger. The expense of occasional repairs, &c. will be included in the charges. If the Bank were to possess other house property, it would then become one of a class for which, of course, proper books would have to be provided.

ANNUAL PROFIT AND LOSS.—To the debit of this account all the interest, commission, postages, salaries, and charges of different kinds, as well as losses incurred during the year, will be carried ; to the credit of it, all the interest, commissions, &c. received ; and the balance of it will show the total of profit or loss made during the year. This is all that is necessary for the general ledger ; but the Bank will be desirous to have separate accounts of the salaries, stationery, postages, commission paid to Bankers, interest paid to depositors, interest and commission received from its different kinds of business, and from its investments in London, &c. in order to know the particular sources of its profit, and of the charges to which it is subject. For this purpose, there must be a profit and loss ledger, in which heads must be opened for these various particulars, and to which they must be posted from the general cash-book. By taking out the balances in this ledger, the Directors will, of course, be put in possession, at any time, of all the particulars regarding the profits and charges, &c. they may wish to know.

Besides the interest, commission, &c., received on the bills discounted, the particulars of which will be obtained from the bill-books, the personal accounts will be subject to charges of commission, &c., of which an account must be preserved, in order to carry them to the credit of profit and loss, as also to their respective heads in the profit and loss ledger. For this purpose, it

would be well to have an additional column ruled in the different subsidiary cash-books, in which these charges may be placed, so that they may be added up, and the amount obtained, at the end of the day, with the greater facility.

If the current deposit accounts, for instance, are debited with £20,000. paid away during the day, of which £100. consists in commissions charged to the accounts of different parties, then, though £20,000. be charged as paid away, the teller will only have paid £19,900.; but the receipts and payments will be made to balance, notwithstanding, by credit being given to profit and loss for the £100. The amount of the £100. consisting of different items mixed up with the other payments, must be ascertained for this purpose; and the only way, without such a column, would be to pick them out, and enter them in another book ; but it would be evidently much less trouble to place them in a separate column at the time they were entered in the cash-book, while picking out is not a very regular and systematic, and seldom a very accurate, mode of proceeding, whatever pains may be taken.

When only one cash-book is kept, and each entry stands alone, this additional column is unnecessary, as each item of charge will be separately posted, both to profit and loss, in the general ledger, and to the head to which it belongs in the profit and loss ledger.

RESERVED FUND.—Under this or any other title, an account of the surplus funds of the Bank must be kept. The balance of the annual profit and loss account, after it has credit given it for the amount of dividends, should be annually carried to this head.

CASH ON HAND.—The cash on hand will not consist

of gold and silver only, but of the notes of other Banks in good credit, which have been received by the Bank, and have not been exchanged or paid. It is not usual, but it would be very useful, to have a head in the general ledger for cash on hand. In that case, the amount of cash paid away or received each day, ought to be carried to it. It would, consequently, show the gross amount of cash on hand, with the daily variations which had taken place in it. By this means also, the general ledger would furnish an abstract of the whole affairs of the Bank, without reference to the account of cash in any other book.

The particulars and amount of cash in the safe, the particulars and amount delivered out to the tellers, &c., must, of course, be kept in the proper books for that purpose already mentioned, under the head of notes in circulation.

BILLS RECEIVED FOR COLLECTION.—These bills are not carried to the credit of the parties until they are paid. A separate bill-book must be kept for them. Some Banks enter them short, as it is called, to the credit of the personal accounts of the parties who deposit them; that is, they enter them, but do not place the sum of their account in the cash-column. A head may be opened for them in the general ledger, but it is not worth while to include it in the general balance-sheet.

Besides the books spoken of, there are two which must not be passed over. These are **THE DISCOUNT-LEDGER** and **THE CHECK-LEDGER**. The former will contain the amount of bills discounted for each house. The accounts are not kept Dr. and Cr. The amounts discounted are added each day to the former balance, and the bills paid

are subtracted; thus if a house had £10,000. discounted, and were to discount another thousand, while five hundred of the former bills had fallen due, the account in the ledger would stand thus:—

Previous Balance	£10,000
June 20th. Discounted	1,000
	<hr/>
	11,000
Retired	500
	<hr/>
	£10,500
	<hr/>

By this means, upon turning to this ledger, the Directors will be able to see at once the amount of discounts which any house has obtained. Should any question, however, arise about the quality of the bills discounted, the bills themselves should be examined. The paper, indeed, of any house about which doubts came to be entertained, should be kept by itself, for the benefit of more easy reference.

THE CHECK-LEDGER—People will sometimes draw checks which ought not to be paid; and where a Bank has much business, it would be too tedious an operation, in the hurry and bustle of it, to cast up two sides of a personal account, and balance it, in order to ascertain whether a check ought to be paid or not. To obviate this difficulty an additional ledger is kept, in which the balance of the account is always made to appear, in the same manner as in the discount-ledger. Whenever a check is presented, or a sum paid into the Bank, the accountant enters it at once into this ledger; so that, if there were twenty transactions in the day on one account, the balance of it would be seen at any moment.

In this ledger the interest on the account is also calculated. The Scotch Banks, for this purpose, have two columns ruled to the right of the money-column, one for the interest due to, and the other for the interest due by, the party. They multiply the number of pounds by the number of days which each balance has remained, and the result is placed in the column to which it belongs. The columns are then added up, and give the number of pounds upon which one day's interest is due; this again being divided by 365, gives the number of pounds upon which one year's interest is due; after which, whatever be the rates given and allowed, the amount of interest due on each side of the account is easily ascertained. The English Banks that have a ledger of this kind, and an interest-account with their customers, generally calculate the interest at once on each balance for the number of days it has stood, by means of an interest-book: I am unable to say which way is done with most facility and correctness.

A check-ledger, however, is not necessary to a Bank with a limited business, or in a town where many checks are not drawn. With any Bank, indeed, it is but few of its customers with whom such precautions are necessary; but in calculating the interest, as well as in other respects, such a ledger is extremely convenient.

There are many books, particularly those connected with the secretary's department, which I have not noticed, my object not being to give those details which every person brought up in a Bank can furnish; but to call attention to those general principles of which every Director ought to have some idea. Nor have I, in doing this, confined myself to the plan of any particular establishment. The system of the Provincial Bank of Ireland,

framed by its able and excellent Accountant, is that which I had most in view. But the Provincial Bank of Ireland is peculiarly circumstanced : and in treating of general principles, with reference to establishments which will, probably, be formed under every variety of circumstances, there would be no propriety in holding up, as a model to be implicitly followed, the practice of any one Bank.

By the plan pointed out it will be seen that, though the number of books is increased, the writing is not.—With the exception of four or five heads in the general ledger, and four or five entries a day in the general cash-book, no additional heads of accounts, or entries of any kind, are proposed, which would not have to be made under any system, or which, under any system, could be dispensed with, consistent with keeping a proper record of the transactions of the Bank ; while, in the bill accounts, a great deal of posting is saved. Every book spoken of, as a part of the general system, is either a branch of the ledger or the cash-book, under the common form of book-keeping, in which one ledger and one cash-book only is kept. Every book contains a class of heads of accounts which would have to be raised in the ledger, were there but one ; or a class of details, each particular of which would have to be entered separately in the cash-book, were there no other book kept for the purpose. The object of the system being to bring out the results by classification alone, and not by additional writing. In short, it may be laid down as a rule, that if, under any system, more writing is, upon the whole, necessary than the simplest form of book-keeping, by double entry, requires, in so far it is imperfect.

Should a Bank have Branches, the accounts will have to be kept at each Branch upon the same general principle as we have pointed out; but with regard to the returns to be furnished to the chief office, it will be proper to make a few observations.

It is the practice of the Scotch Banks, the Branches of which consist of agencies without the controul of a Board of Local Directors, to require a daily account of all their transactions, in order that they may keep for each a set of duplicate accounts; this renders the Bank independent of the accounts of the agent, who seldom gets in any way wrong himself without suffering his accounts to fall into confusion. It likewise prevents any mystery in any of his transactions, and furnishes the inspector with the materials for a proper inquiry into the nature of them, when he shall visit the Branch. But when the Branch is under the management of a Board of Local Directors, with the necessary adjunct of a proper establishment, the production of a balance-sheet once a week, with the attestation of the Directors that they have counted the cash, will be a sufficient proof of the accounts being right. The object, in the case of a Local Board, will be to have such statements furnished to the chief office as shall give a view of its general management; for this purpose duplicate accounts, and the voluminous returns consequent upon them, will be quite unnecessary. There should, however, be transmitted weekly, besides the balance-sheet, a copy of the minutes of the Board, in which should be recorded all the applications for discounts, with the particulars of those accepted and those refused; as also for cash credits and other loans, with the answers thereto. It will be pro-

per likewise to transmit the amount of discounts, of every principal house, from the discount-ledger, with the amount of cash at the credit of their accounts, together with the bills drawn upon London. These particulars will not prove voluminous, and will give a pretty correct idea of the proceedings of the Branch : the chief Board of course, from time to time, calling for any other information that circumstances may point out as necessary. In addition to this, however, a more complete statement should be sent from the Branch once a quarter, containing the balance of every account, the names of every depositor, with the amount of his deposits, and the amount of discounts for every house, great and small, with a report on the state of the securities for the cash-credit, permanent loans, &c.

If the Branch is at no great distance, the bills discounted should be transmitted, in order that they may be seen. One of the first steps necessary to judge of the value of a bill is to see it ; all practical Bankers lay great stress upon this ; no description of a bill will afford the information which may be obtained from an inspection of the bill itself. Every application for a cash-account also should be forwarded to the Chief Board, with a report upon it, before it is granted, if it can be done conveniently ; if not, all applications above a certain amount should be so transmitted. A principal officer ought occasionally to visit the Branch, though it will not be necessary that this should be done so frequently if it have a Board of Directors ; but explanations will frequently be required that cannot be so well made by letter. The control of the Chief Board will always be useful, and will, in all probability, be effectual in pre-

venting any serious loss at any time; but the only radical cure for bad and inefficient management, when it shall appear, will be found in a change of managers.

With regard to the appointment of the London agents, the probability is, that any Banking-house in London will be glad to have the agency of a Joint Stock Banking Company; but it would be impossible to say which was the best house to appoint, or that any one house in London was better than another. Some houses have the reputation of being more wealthy, and, of course, more safe than others; but when the rich partners die, it generally happens that they leave the bulk of their fortune to one son, and their share in the business to another; and it is, at least, an equal chance that the Banker is left the poorest of the family. When this occurs, however, it is hardly known, and at all events, if the Bank is in good credit, it is not possible, merely on the death of a partner, for a Joint Stock Banking Company to remove its account. Nor is it material whether a house be great or not. Large houses as frequently fail as small ones: the partners of a large house, if well managed, become sooner rich; if ill managed, sooner poor. In short, there are no rules for determining the proper choice of a London Banker. The credit, from time to time, to be reposed in the house drawn upon, must be determined by the observation of the Bank which draws upon it. The Scotch Banks have always contrived, when any house they drew upon stopped payment, to have a very small balance in its hands. To enable this to be done without difficulty, and to avoid putting unnecessary confidence in one house, if the business of the Bank was extensive, it might be well to draw

upon two London Bankers: it would not materially increase the expence, as the payment must be regulated, in a great degree, by the business done; but it would the security, and would enable the Bank to increase its account with one, and diminish it with the other, whenever it might see cause. In such a case, should the Bank have different branches, each branch must draw alternately on both houses, and not one branch draw on one house, and another on the other *.

The London Bankers have three different modes of charging, or receiving payment, for the trouble of their agency. The first mode is, by the payment of a fixed sum; the next, by their charging a commission; and the third, by a balance being lodged with them without interest. The particular amount of remuneration, whatever mode of charging be adopted, can only be fixed after the nature and extent of the business is known. From some places the bills are small, but numerous; and though the amount of business, in sum, may not be great, the trouble may; consequently, until the Bank has been some time in operation, it is impossible for any London Bankers to state the terms they will charge, unless they happen to be agents for some Bank in the same town.

By the first mode, if the Bank does little business, the charge might be £100. per annum, and from that upwards; by the second mode, from half-a-crown to a shilling, or one shilling and sixpence per cent.; and by the last mode, a stationary balance, of from three thousand

* This latter plan has been adopted by the Provincial Bank of Ireland, which however would, in all probability, have only drawn upon one house, had it not been for the extreme delicacy of one of the partners of the firm, who was one of the founders of the Bank.

to twenty thousand, or upwards. It has, likewise, been the practice for the London Bankers to allow three per cent. for a fluctuating balance up to a certain amount, over and above the stationary balance. To this, however, the London Bankers at present object, for they frequently now cannot obtain three per cent. interest for money.

They also never accept any bills, even for a Joint Stock Company, without being covered either by money in hand, or a lodgment of bills; for, without doubting the credit of the Bank, they must have some pledge for its punctuality.

Forgeries of the notes of Country Banks have become frequent of late years, and it is necessary to take some pains to obtain a note which cannot be successfully imitated. It is important to Joint Stock Banking Companies generally, that the objection to paper money, on account of its liability to be forged, should be, as far as possible, done away; it is important to the public that it should be secured against imposition; and it is important to the cause of humanity, that temptation to the crime of forgery should be diminished, at least, if it cannot be removed.

Experience seems to point out that the notes which afford the requisite security, in the highest degree, are those prepared by Messrs. Perkins and Heath. Most of the Banks which have been forged upon, with the exception of the Banks of England and Ireland, have resorted to their system of engraving for protection, and they now supply, I believe, two or three hundred Banking establishments. The Provincial Bank of Ireland is one of these, consequently, from my situation as chief officer of that establishment, I had occasion to make myself

particularly acquainted with the nature of their system, and as it appears to me that its general adoption, under proper regulations, would go far to exterminate forgery, I doubt not that I shall be excused if I endeavour to give an explanation of it, and the manner in which it appears to me so desirable an end might be accomplished, a little more fully than might otherwise appear necessary for the purposes of this publication.

It is generally assumed that no Bank-note can be prepared which cannot be successfully forged, so far as regards the production of a correct imitation. I am by no means, as I shall hereafter point out, disposed to admit that this has been sufficiently established; at the same time it is not necessary to doubt the correctness of the assumption, if it be true that Bank-notes may be made which could not be forged with any chance of profit. A forger must have some prospect of gain by his hazardous profession, to tempt him to pursue it; remove the temptation, therefore, and you prevent the crime; and it is, of course, perfectly immaterial to the public, if forgery be prevented, whether it be by the adoption of notes which cannot be forged, or which cannot be forged with profit.

The principle of security which Messrs. Perkins and Heath offer is, that they can make notes which cannot be forged with profit; and, in examining the degree of security their system affords, it is necessary to consider, first, the difficulty and expence a forger might be put to in making a passable imitation of their note; and next, the circulation he might expect to obtain for his forgery, and the return it would make him, to compensate for the expence and risk he would have to incur.

Both these considerations would necessarily enter into

the forger's calculation. He would first estimate the cost of the forgery in time and risk, and then the chance of returns from it, on the very same principles as the manufacturer of broad cloth, or any other commodity ; only his rate of profit would not be a mercantile rate of profit, it would be high in proportion to the risk. If it were life merely that were to be hazarded, many rogues would venture it for a trifle, with any reasonable chance of escape ; but rogues, like other men, are more circumspect in venturing their money. When they are willing to risk their lives for a trifle, it is when they are utterly destitute of money. But if they are obliged to bring capital into an undertaking, they are certain to bring a proportionate degree of prudence with it, and would not venture upon it without a prospect of an adequate return. I should say, that for every hundred pounds embarked in a forgery, there must be a reasonable prospect of making four or five hundreds at least, or no forgery would be attempted. This, at all events, is certain, that there is an amount of expence beyond which a forger will not go ; and if you can contrive to raise the expence he must incur beyond that point, you, in all probability, put an end to forgery. If the manufacturer could make a particular kind of cloth for 18s. per yard, and have a great demand for it at 20s., the probability is, that a very large quantity would be made ; but if he could not sell a yard above that price, nor manufacture one under 20s. 6d., the certainty is, that not one single yard would be manufactured : so that the additional cost of 2s. 6d. upon 18s., would put an end to the further production of that particular cloth. The calculations of the forger will not be so fine as this, but the principle is the same ; and the object should be to raise

the cost of forgery beyond his mark, and this attained, forgery is prevented.

The way to make engraving expensive is, of course, to make it difficult and laborious. The forger must have money to support him until his forgery is completed, and the longer he is about it, the more capital he will require. A bad copy of a very good engraving, likewise, is easily detected; and if it be a good copy, it can only be executed by a man of some professional talent, who will put more value upon his labour. Engraving is also divided into branches, and an engraver in one branch can seldom engrave in any other. A note, therefore, ought not only to be engraved by the best artists, but by different artists, so as to render it necessary that two or three persons of some ability should join in the forgery, by which the difficulty would be multiplied incalculably.

In the ordinary mode of engraving on copper, however, no more than a limited number of copies can be obtained from one plate, and the number diminishes as the quality of the work is improved. Thus the Bank of England can obtain five or six thousand copies of their present note from one plate; but were they to possess a note, the engraving of which would cost a hundred pounds, they could not probably obtain so many as a thousand. This would make each note cost 2s., which, of course, would put an end to the idea of adopting this simple and obvious mode of improving the security of them.

But the invention of Mr. Perkins entirely removes this difficulty. Instead of a thousand copies of one engraving, a thousand millions may be obtained if necessary. This is effected by engraving, first, on sof-

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BANKERS' SPECIMEN.



18

London
Entituled
to pay the Bearer
Five Pounds Value received
on Demand
in the sum of Five Pounds

On order of the Board of Directors.



tened steel plates, which are then hardened, and, by means of a powerful pressure, are transferred to softened steel rollers ; these again are hardened, and the engraving re-transferred on to any number of either copper or steel plates, at a trifling expence. The consequence of this is, that with an extensive circulation, such, for instance, as that of the Bank of England, Messrs. Perkins and Heath could afford to spend several thousand pounds upon the engraving of a plate, and supply the Bank as cheap with notes as it is supplied at present, although the engraving of its plates do not, it is probable, cost it more than four or five pounds each.

In this principle of perpetual reproduction, consists the value of the invention. The mode of turning it to the best account, by the production of a plate out of the forger's reach, may not yet have been attained : but this is to be discovered rather by practice than by theory ; for, assuming that every note can be forged, the only manner of ascertaining whether a note can be so, with profit, is to put it in circulation, and see whether the forger will attempt it or not. If it be not forged, all is obtained that is wanted ; if it be forged, each forgery will point out the manner in which the forger has overcome the difficulties opposed to him, and suggest new modes of baffling his subsequent efforts.

The annexed is a specimen which Messrs. Perkins and Heath have furnished me for this publication. They consider it would make as safe a note as any they have in circulation, and sufficiently safe for a Country Bank. There are four distinct species of engraving upon it, viz. the vignette and two heads, which were engraved by eminent historical engravers ; the plain and ornamental writing, which were done by a writing engraver ; the

small writing in the centre of the note, where the words "five pound" is repeated eleven hundred times, which was done by a stump engraver; and the ornamental border and corner piece, which was engraved by a machine.

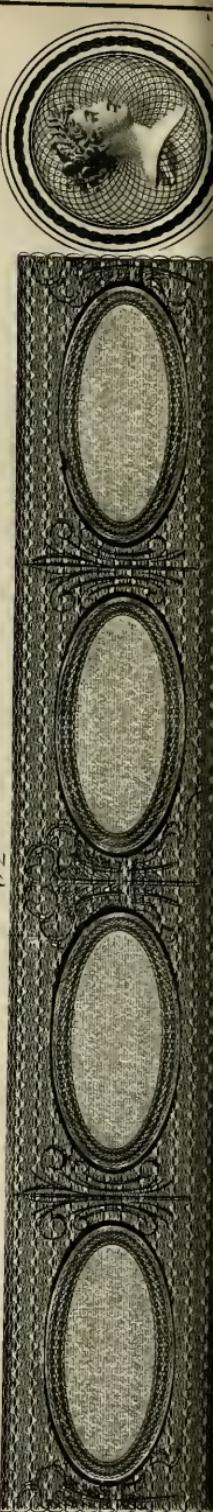
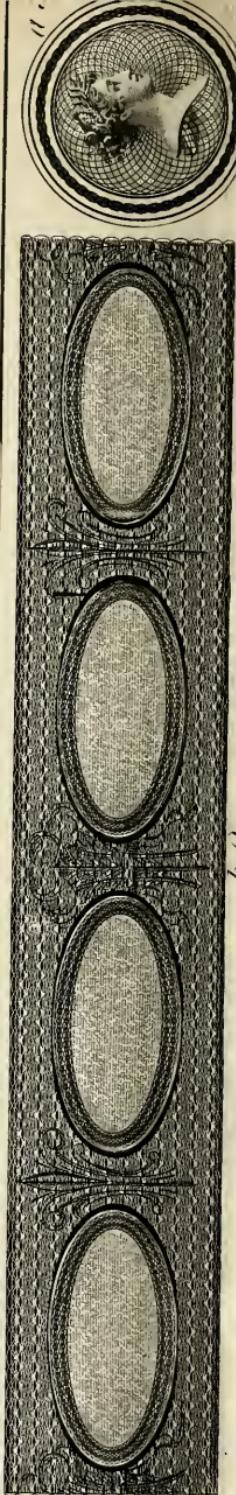
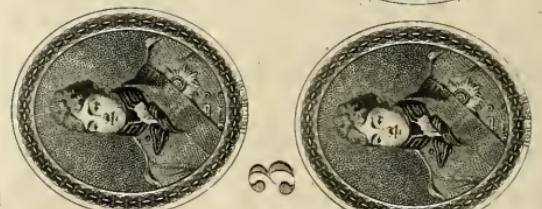
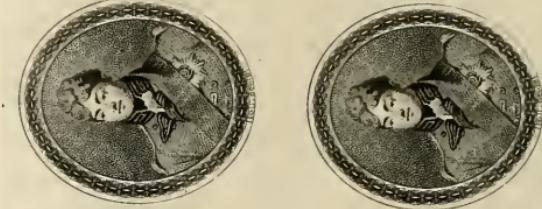
I consulted two celebrated engravers, as to the expence a forger would be put to in making a passable forgery of it, valuing the time of men, who were competent to make such a forgery, at the price they could otherwise obtain for it. It was their opinion that it could only be forged by artists who could make a decent livelihood by their profession; that it would probably take three persons to forge it; and that it could not be done under one hundred pounds.

Sir William Congreve, indeed, has endeavoured to shew that Messrs. Perkins and Heath's notes were much more easily imitated than is consistent with the truth of this estimate; and it is necessary, in differing with one who must be considered so much more competent to decide upon the subject, to explain the reasons for questioning his authority.

It will be remembered that, in 1819, a commission was appointed, of which Sir William Congreve was a member, to enquire into the practicability of obtaining a Bank-note that could not be forged. Various plans, by different persons, were submitted for this purpose, and amongst the candidates were Sir William and Messrs. Perkins and Heath. It appears that Sir William thought the competition lay between Messrs. Perkins and Heath and himself; and he wrote a pamphlet to show that his plan was a good plan, and theirs good for nothing; and, in proof of the latter, gave specimens of the ease with which their notes might be forged. The annexed is one of the



Nº 3



specimens he imitated *, and an explanation of his manner of doing it, will give a general idea of his pamphlet.

It will be observed that this specimen contains sixteen fac-similes of a medallion, containing the king's head. Now it is stated, by experienced engravers, that no artist can execute two faces, that have much character and expression in them, so much alike as that the most ignorant person could not discover a difference. If, therefore, the forger were obliged to copy, by his hand, the same portrait several times upon one plate, some difference between them must inevitably appear, and this would detect the forgery; for as the heads on Messrs. Perkins and Heath's plates would be repetitions of one engraving, they would be identically the same. On this principle, I believe, it is possible to make a note that could not be forged by any artist whatever, without immediate detection. Sir William, however, met the difficulty in this way. He had one copy only of the medallion engraved, and reprinted it, instead of re-engraving it, sixteen times. The face, when compared with the original, clearly showed itself to be an imitation, and proved that if the artist had been obliged to copy even two heads upon the same plate, with the hand, they would have detected each other; and that Sir William was not compelled to do so, he knew was a defect not in the principle, but in the specimen, of which defect he had taken advantage. He was aware that a forger would only be enabled to repeat, upon Bank paper, the impressions in the manner he had done, provided the

* The plate, from laying by for seven or eight years untouched, had become accidentally damaged; but, as it would answer all the purpose of the explanation, for which it is given, it was not thought necessary to have a new one prepared.

medallions stood unconnected in any way with each other, as in this specimen. By embossing and intersecting them with machine and other work, so that the parts at each reprinting must join, his plan of reprinting would be at once defeated, as Bank-note paper, after it is wet, shrinks very considerably, and no two parts could be made to join with the accuracy required. This impossibility of producing a forgery, by reprinting, was subsequently pointed out by Sir William himself, in a letter written to the Country Bankers, on the security of his own plan. But independent of this, to reprint a head sixteen times, upon Bank-note paper, would be totally impossible; for, it must be observed that, after each impression, the paper would have to be completely dried, in order that the ink might set. If it were attempted to take a second and third impression, before the ink of the first was dry, part of it would be taken up each time, and the head would become obliterated. Hence the note would have to be made wet and dry sixteen times, in order to produce an imitation on Sir William's plan, and this would destroy it. Sir William made his imitations on thick India paper, and, even on this paper, he was reduced to the necessity of first printing on more pieces of paper than one, and then pasting them so ingeniously on one piece, that the joinings could not be seen by a common observer.

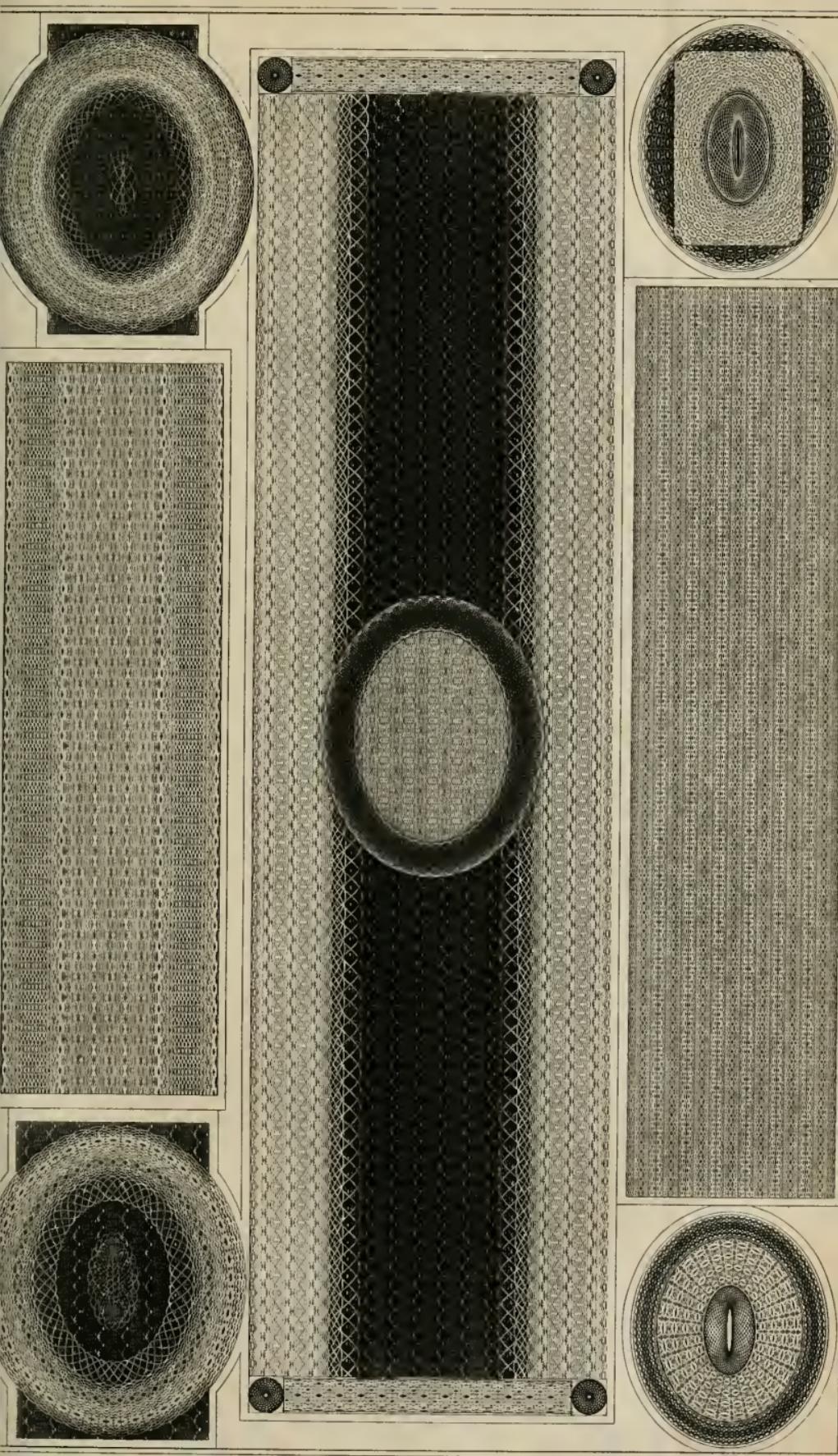
Sir William, indeed, points out another mode in which fac-similes of engravings might be multiplied upon the same plate, viz. by stereotyping and printing from the surface. On this point, however, Sir William must have been grossly misinformed, for I enquired of the most eminent stereotype engravers respecting his assertion, and they treated it as an absurdity.

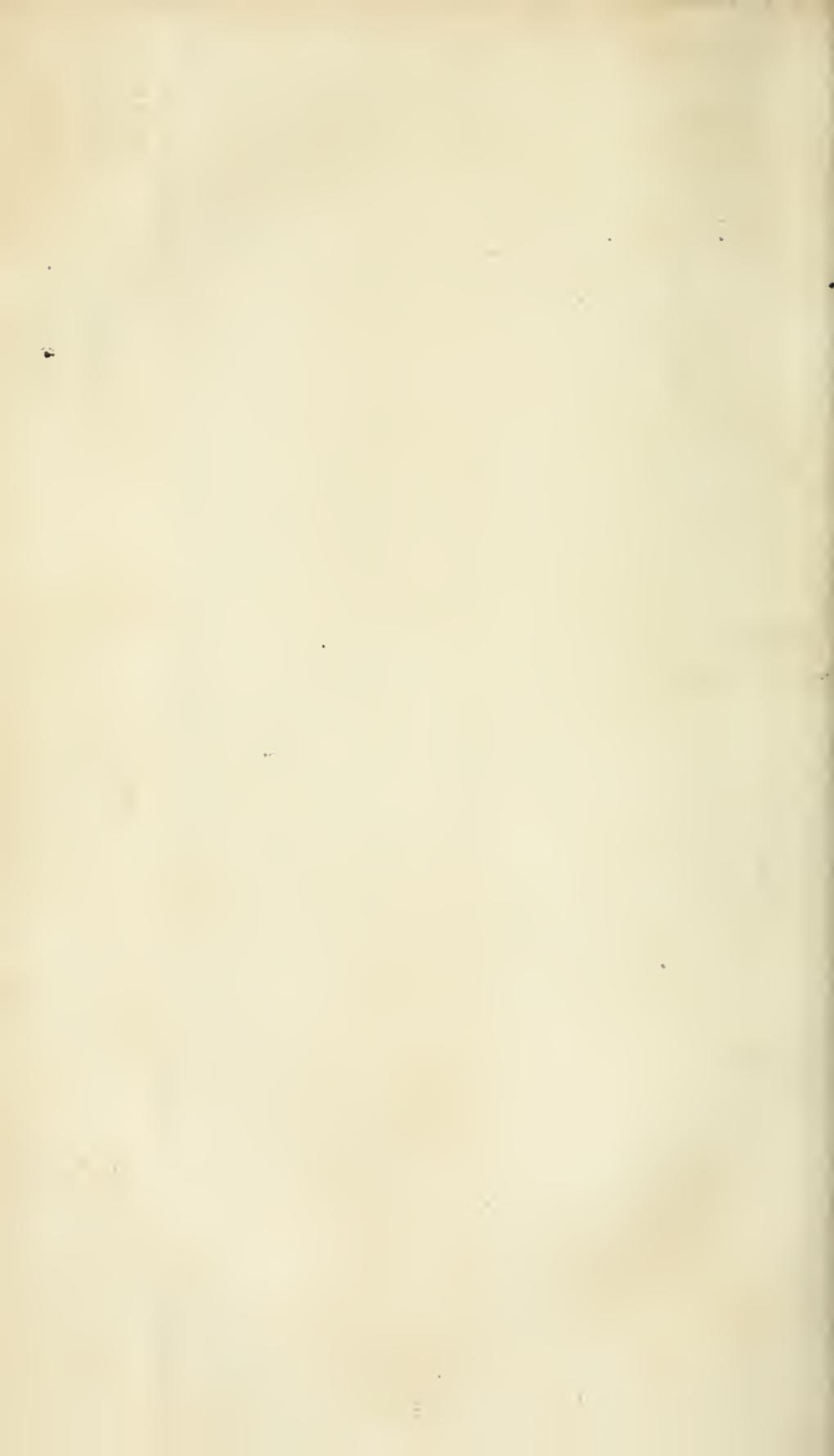
In this specimen there are, also, two slips of machine work of the same pattern, in which are four small ovals, copies of each other, containing part of the Bank Charter, engraved in small characters. The machine work is engraved by a machine of Mr. Perkins's invention, the most difficult specimens of which, though this is not one, cannot be copied by the machines in common use, or hardly even by a machine like the original, were it in the power of the forgers to obtain one. It must, therefore, be copied by hand, which, from the beauty and regularity of the work, is difficult. This difficulty is also much increased, by means of Messrs. Perkins and Heath's transferring process. It will be observed, that the lines are white upon a black ground; now the lines were engraved, in the first instance, black upon a white ground. In engraving upon copper or steel, the white is the part of the plate which is left untouched by the graver; where the graver makes a mark, the impression upon the paper is black, the same as in writing with a pen; but by the transferring process the engraving is reversed, and the forger, instead of having lines to trace, must produce the white lines, by engraving the angular reticulations and little spaces between them, the superior difficulty of which may be conceived by the difference there would be in making a black line upon paper with the pen, and making a white one, by painting with the pen, black on each side of it. The latter mode, however, Sir William did not attempt. By laying a thin coat of wax upon the plate to be engraved, a good general outline of this machine work may be obtained from the note to be copied; and Mr. Branston, then a partner with Sir William in his note, and one of the first wood-cut engravers in the kingdom, contrived, by the

aid of a ruling machine, to make a very fair copy of the white lines in black; and then, instead of printing from the plate in the manner of copper plate, he obtained the white lines by printing from the surface, in the wood-cut style, or in the manner of common printing. This, it is only necessary to state, would be quite impracticable on Bank-note paper, and, even upon India paper, cannot be effected without spoiling twenty or thirty impressions for every successful one produced, if those produced by Sir William could have any pretensions to be so called. In short, Sir William could not have furnished an imitation of any one of their plates on Bank-note paper; and the imitations he did make were evidently so expensive, as to induce him to charge a guinea for his pamphlet, the proper price for which might have been from three to five shillings. This charge could only be made for the purpose of preventing all demand for it: an effect that such a price would certainly have: his object being of course answered, by his giving copies to those upon whom he wished it to have the desired effect.

To the value of Messrs. Perkins and Héath's machine work, Sir William has subsequently borne testimony, by adopting it himself. The effect of his pamphlet was to induce Government to adopt a stamp on the back of the Country Bank-notes, engraved on his principle, but which was found to have no security in it; and Sir William has endeavoured to improve it, by introducing a feeble imitation of their style of machine work.

Sir William's pamphlet, though very convincing to those who knew nothing about the matter, was, in point of fact, a complete failure, and affords the strongest argument in favour of Messrs. Perkins and Heath's







Mr. Fredon Sculp.
R. Sturges R. A. del.

Hamlet, Prince of Denmark One Act

For the Governor and Company
Bank of Eng land



system, that has yet appeared. Availing themselves, however, of the hints which his pamphlet furnished, they prepared the annexed specimens of the front and back for a note, the machine work of which so unites the black lines upon a white ground, and the white lines upon a black ground, as to defy every attempt to imitate it, even upon India paper, otherwise than by hand: for it is necessary either to print in the manner of copper plate, or from the surface; both modes cannot be adopted at once; and when the two styles of engraving are blended, one set of lines, whichever mode of printing be practised, must be obtained by engraving by hand the small spaces produced by the lines intersecting each other.

These specimens Messrs. Perkins and Heath sent to the Bank of England. As the Bank had produced complete forgeries upon every other note that had been presented to it, but their's, they accompanied them with a letter to the Directors, soliciting that they should be submitted to the same trial as those of other candidates; protesting, at the same time, against parts of them only being forged: for if an entire forgery could not be produced, it would evidently be no forgery at all. This request was reasonable, and there is little doubt the Directors were desirous to comply with it. In three months, however, Mr. Bawtrey, the engraver to the Bank, was only enabled to produce copies of the vignette, a small part of the narrow border, two inches and a half of the black pattern on the back, and the die with the denomination of One, and, notwithstanding Messrs. Perkins and Heath's request, all from separate coppers, and on separate pieces of paper. The imitations, it appears, were very well

done, but Mr. Bawtrey is, I understand, a very able artist. There is also little doubt that he was assisted by others; or, indeed, why have different pieces of copper. When these were presented to Messrs. Perkins and Heath, they represented that they were not a proper forgery, though they might prove that, with sufficient money, time, and talent, one could be produced; and upon their urging that one ought to be produced, a Director stated to Mr. Heath, that it would take them twelve months to do it in. The question consequently is, whether the labour and expence which, it thus appears, would be necessary to get up a forgery upon such a note, would not prevent its ever being attempted; and, in determining this, it is necessary to ascertain the probable circulation that might be expected for a forgery, which is the second point for consideration.

The circulation of forged notes is much more difficult than has been generally imagined. They cannot be issued in the dark; the crime of utterance must be perpetrated face to face with the party imposed upon; and if detection, on the instant, does not follow, a person cannot have issued half-a-dozen ones, or a single five pound note, without having established proofs against himself, which, if brought forward when he might be detected, would inevitably lead to his conviction. If they had even the whole note for incurring this risk, who, consequently, but those who almost court death or transportation, would incur it? There is hardly any description of fraud in which the prospect of remuneration is so trifling, compared with the certain risk which has to be run. It is, therefore, only amongst the most desperate of mankind that utterers of forged notes are to be found, and these must have the greater part of the profit. The system, I

am informed, is for the persons who make the notes to sell them to wholesale dealers, who find out the proper characters to issue them. They are seldom, if ever, sold by the forger direct to the utterer. The price the latter pays for them, in general, is about four or five shillings for a pound note, out of which the wholesale dealer must be paid for his risk, which is next in degree to that of the utterer: so that a couple of shillings per note is the most, probably the utmost, that the forger obtains. This is for forgeries on the one pound notes of the Bank of England; notes of a larger denomination are as easily imitated, but the difficulty of uttering them is so much greater, that the temptation to forge them is infinitely less, notwithstanding their superior value in circulation.

Now the perfect identity of Messrs. Perkins and Heath's notes, adds most materially to the difficulty of circulating them. Every line, every dot, however minute, of the original engraving, is the same in all; and the most trifling deviation is a proof of forgery; whereas, from the superiority of the engravings, and the impossibility of copying the machine work by hand with accuracy, no forgery could be made in which, though the general resemblance might be good, innumerable differences could not be at once observed by an experienced eye, and might be so pointed out to the public as to produce instant detection. This has been proved in cases of forgeries which have existed upon notes of Messrs. Perkins and Heath. In the choice of the pattern for their note, Bankers usually exercise their own taste, and too generally at the expence of safety. The piebald mixture, which gives security to the note, is neither so chaste and elegant, nor yet so simple, as is consistent with the business object of the note, and it is very generally objected to;

so that Messrs. Perkins and Heath have many notes in circulation which they do not consider to offer any high degree of security. Of these, two or three have been forged upon, and in a manner which was a subject of surprise to engravers themselves. So good, indeed, was the forgery upon one of them, the Leeds Union Bank, that the partner, whose signature was forged; would not at first believe that it was a forgery; yet the moment the points of dissimilarity were pointed out, the forgery was so obvious that not more than forty-eight got into circulation, and five men were detected in uttering them: every one, most probably, that made the attempt. The other forgeries, it is understood, had but little circulation; and it is probable the forgers have found no great inducement to repeat the experiment.

The price at which the forged notes of the Leeds Bank were sold to those who uttered them, was eight shillings each, the highest price ever known to be given; and the plea made for charging such a price was, that they could not be afforded under, in consequence of the labour which had been expended upon engraving them.

Now if we assume that the specimens of the note and back, for the Bank of England, might be forged for one hundred pounds, that a thousand copies could be taken from the plate, and that they were all sold at four shillings each, (the price of the Leeds note which could be made with one tenth of the difficulty,) the forgery would only yield one hundred pounds profit. It must be quite evident that no two or three men, of respectable talents, would risk their lives for any such prospect of remuneration. If the forgery was upon a note of a higher denomination, the return would, no doubt, be greater, provided it could be circulated; but experience has proved that

the difficulty of utterance is much more than proportionate to the increased value of the note ; that one pound notes are the only ones which hold out any great temptation to the forger ; and that, if they do not pay, no other will. Hence, it appears to me, that when Messrs. Perkins and Heath presented these specimens to the Bank, they presented a note that could not, for any practical purpose, be forged.

No specimens that have been prepared by Messrs. Perkins and Heath, which I have yet seen, appear to me to offer the degree of security that might be offered. If I am rightly informed, for instance, were a good number of copies of one head put upon a note, it would be impossible to forge it successfully : more especially as, from the little temptation there is to commit such forgeries, no man of any talent as an engraver has ever been found doing so. Eminent engravers have forged bonds, but never Bank-notes

It is to be regretted that the Directors of the Bank have never given Messrs. Perkins and Heath's system a trial. In doing so they would not even be adopting a new principle, they would only be adopting a new and better mode of carrying an old principle into effect. Although they are unable to obtain more than a few thousand copies from one plate, and have to engrave an infinite number of new plates throughout the year, yet they are desirous that these notes should be perfect fac-similes of each other. This they are enabled to accomplish as perfectly as is attainable by hand. First, by having their note remarkably simple, and next, by having able men who spend their whole lives in engraving it.

The forger makes his plate in the same manner as the Bank ; and though he can generally deceive the

public, yet the fac-simile is seldom sufficiently perfect to deceive the eye of the Bank inspector. The engravers of the Bank are enabled, by habit, to copy their own note so much more perfectly than the forger, that the difference between them is always observable. But no copy can equal the original in identity; and as Messrs. Perkins and Heath multiply copies of the original plate, it must be obvious that it would be desirable for the Bank, if it should not improve its note, still to have its plate copied in their manner, rather than by hand. So long, however, as it is copied by hand, the note cannot be improved: for every difficulty thrown in the way of the forger, is also thrown in the way of the Bank. As the case now stands, therefore, all improvement in the note of the Bank is prevented, in order that it may continue to obtain in an imperfect manner by hand (for such comparatively it must be), that which can be obtained in a perfect manner by machinery.

If the Bank does not choose to improve its note, Messrs. Perkins and Heath would not object to multiply copies of its plate at less expence than it now costs to do so by hand; and if the Bank wished to have the most perfect note that could be made, they would not charge more for it than its present note costs it, so that the expence presents no bar to improvement.

There can be little doubt, I think, that sooner or later, either by the interference of Government, or otherwise, the Bank will be induced to take steps to improve its notes, and when that is done there are other modes of increasing the difficulties of the forgers, which might advantageously be resorted to, and which it may be proper to notice.

The preventives to forgery may be considered three in number.

First, the expence and difficulty in forging the note; secondly, the difficulty of uttering it; and lastly, the risk of detection and punishment.

With regard to the first, I cannot avoid thinking, as before mentioned, that repeating a head, a great many times, upon the note, would render a successful forgery impossible. The face is the part in which the difficulty lies; and the King's head, without the other parts of the medallion in the specimen imitated by Sir William Congreve, would not make a wider border than the border of specimen, page 117, in which it might be repeated eighty or a hundred times: and, I am induced to think, that if any sum of money were offered for a passable forgery of such a border, upon Bank-note paper, it could not be produced. But, at all events, we may with safety say, that a note might be made, which could not be forged under an expenditure of at least £200., besides requiring a combination of two or three men of greater professional ability than any of those that have been convicted of forging the notes of the Bank of England. Rendering it, in short, necessary that two or three men, with talent sufficient to support themselves honestly, and money sufficient to prevent their undertaking a foolish and desperate act, should concur in the feasibility of the undertaking. This, it is reasonable to infer, if it did not prevent forgery, would very much reduce the number of those who could be found able and willing to engage in it.

Secondly, with regard to the utterance of the notes after they are forged. It is very much to be doubted whether the greatest success that could be expected,

even in circulating five pound notes, would be sufficient to induce forgers to venture upon an expenditure of £200.; and this more especially as if there were the least suspicion of forgeries being abroad, they could be detected with the greatest ease. No forgery upon the machine work could be made, that might not be at once known by the aid of a little magnifying glass. These might be had for a couple of shillings, and every person, who had money to take, would carry one in his pocket, with which he could examine and ascertain the goodness of each note he took with much more readiness and certainty, than he could the same amount of metallic money by ringing it on a table or counter. But there is a still more effectual mode of stopping the circulation of forgeries, which it would be proper to adopt. There never is a forgery upon any Bank of limited circulation, for this obvious reason: that if the notes can be easily called in, and others issued, the forger runs the risk of losing his labour, by the substitution of a fresh note, before he can get a sufficient number of his forgery circulated to pay him. Now there is no necessity for every note issued by the Bank to be of the same pattern. If they were, the Bank, in the event of a forgery, could not call them in; but if it had ten or twenty different patterns, each pattern having its No. 1, 2, 3, &c., in large figures on the back, there would be no difficulty whatever in stopping the circulation, and calling in the notes of any particular number on which a forgery was found to exist, and issuing a new pattern for that number. This might be done by the agency of the different Bankers. A proclamation might be issued, stating that there was a forgery on a particular number, describing the points by which it might be known, requesting the public not to take the notes

of such number in payment, and stating that any banker would exchange them for others. The public would be most ready to comply with this order, not only to prevent the success of the fraud, but to avoid the risk of being imposed upon, and the trouble of guarding against such risk, by having to critically examine every note of this number presented to them. With a regulation of this kind, no forgers could calculate upon making any profit by their forgery, if it were only to cost them £20.

Thirdly, if detection and punishment were rendered more certain, the inducements to forge would be less; and the necessity of more persons than one being engaged in a forgery, leaves an opening for detection which might be turned to account. For this purpose, a considerable sum, say a thousand pounds, might be presented to any party, who would give such information as should convict those who were guilty of forgery; and the King might grant a free pardon to any one who should convict his accomplices. As this would make it so much more profitable to expose the crime than to promote it, I can hardly think it possible that any forgers would be able to escape; or, which would be the best operation of the law, that any men would be found willing to trust their lives in each other's hands, by venturing upon such an undertaking.

Thus forgery might be prevented by the combined operation of three checks, any one of which, it is probable, would alone be sufficient for the purpose. It might be prevented by making a note which none will attempt to forge; it might be prevented by so quickly and effectually putting an end to the circulation of forgeries, that, if they were executed with ever so much ease, they would never be attempted; and it might be

prevented by rendering it next to impossible that the forgers should not, sooner or later, be detected and punished. Should any person be disposed to doubt the efficacy of one of these checks, he will, perhaps, be disposed to place his reliance upon another ; or, if he should think that singly any one of them would be insufficient, I do not imagine he will, for a moment, doubt that forgery might be exterminated by the application of the whole.

With regard to the Country Banks, nothing can ever be done effectually, except by Government. They seldom have good notes, and when forgeries upon them are discovered, they will neither prosecute nor take any steps to prevent their circulation, for fear of producing a run upon them. Nor have the public a right to expect from Bankers any more than this. Their interest in the question is merely a pecuniary one, and they are not the parties upon whom the imposition is practised. It is the parties that take the notes that lose by them ; and it is as much the duty of Government to prevent the public being imposed upon by counterfeit money of one kind as another. It does not allow a Banker to coin his own gold, and, in strictness of principle, there is no reason why it should adopt a different rule with regard to any other description of money. But this, at least, is certain, that if the prevention of the crime of forgery is desirable, no comprehensive and consistent scheme for that purpose can be expected from six or seven hundred Banks, each acting upon its own views of the subject. Government, therefore, should itself prepare the whole of their notes, and furnish each Banker with them, subject, of course, to a proper charge, in a state ready for filling up and signing with the pen. It should, likewise,

take upon itself to prosecute, and to adopt whatever plans and regulations might be thought desirable, or which experience might suggest, to prevent forgery. Were this done, both with regard to the Country Banks and Bank of England, in no great length of time forgery would become as rare as it is now frequent.

Since the first publication of this Pamphlet three Scotch Banks have stopped payment. The Stirling Bank, the Fife Bank, and the East Lothian Bank. The first of these was a private Bank, but the two last were Joint Stock Companies; by which, though the public suffered no loss, the Shareholders lost considerably.

It may, perhaps, be a little out of place, to explain the causes of these stoppages, at the end of the practical details contained in the Supplement, (such explanations more properly belong to, and ought, in point of order, to have been found in immediate connection with, the Pamphlet); but as these failures are likely to be made a handle of, by parties who are opposed to the extension of the Joint Stock system of Banking, it is proper that the circumstances which led to them should be made known.

The Fife Bank was established about twenty years ago, and the East Lothian Bank in 1810. The uniform success of the public Banks of Scotland, for a long period of years, had, at this time, produced a general confidence in them as profitable investments for capital, and had removed much of that prudent caution on the part of the public, necessary to be observed in entering upon any undertaking, but more especially on that of a Bank.

The Fife Bank was established at Coupar, a small

town, the capital of Fife, and centre of an agricultural district. The subscribed capital, I believe, was £25,000., divided into fifty shares of £500. each, and only part of it was paid up.

The parties who formed it, as well as the shareholders, chiefly consisted of the proprietors of land, and farmers in the neighbourhood. They chose a Board of five Directors, who knew nothing either of business or Banking; and they appointed a lawyer for their cashier, who was as little competent to conduct the business as they were. He was consequently obliged to employ a deputy, and this deputy had the almost uncontrolled management of the Bank. The impunity with which he could make use of the Bank's money, from the ignorance and inattention of the Directors and principal Cashier, was too great a temptation to be resisted, and the first one appointed died a defaulter to the Company. This did not lead the Bank, at least for any length of time, to adopt a better system; and the next that was appointed was, by the same facilities, led to embark in different speculations, with the Bank's money. The remissness with which the parent Bank was conducted extended itself to every department, and they lost by one or two agents 25 or £30,000. Independent of this, the principal Cashier became largely indebted to the Bank, as well as some of the Directors. In short the Bank, in about twenty years, lost £80,000. During the greater part of this time its books had never been balanced; and though its losses had been so great, it continued to pay handsome dividends until it stopped payment. In this there must, of course, have been fraud; but it is, I believe, probable that the Directors were in a great degree ignorant of it. The absurdity

committed was that of entrusting, in the first instance, the management of a Bank to parties who, from their occupations and habits, were totally incompetent not merely to manage it, but to exercise any check over those to whom they entrusted the management under them. No Bank could be expected to succeed, without a miracle, under such circumstances. We might as well expect to make a safe voyage in a ship with a landsman for a pilot who had never been at sea before, or without any pilot at all.

The East Lothian Bank was established under circumstances precisely similar to the Fife Bank. It was situated at Dunbar, in the centre of the agricultural district, the name of which it bore. The capital paid up was £20,000. The Shareholders were chiefly farmers, and, with the exception of one person, the Board of Directors consisted of persons who were merely nominal Directors: this one person also was practically engaged in extensive concerns, and did not attend to the Bank. The management of the Bank was thus left almost exclusively to the Cashier, and the temptation was too great for him. He entered, in connexion with his brother, into extensive speculations with the Bank's money; these speculations proved unfortunate, and he was led to adopt an extensive system of forgery in order to hide his defalcations. The Bank lost by him upwards, I believe, of £100,000. It would have proved, I have understood, a good concern, had it not been for this robbery; which, however, might have been prevented by a good system of accounts, and the least attention on the part of any one Director who understood accounts, or would have taken the trouble to make himself master of them. Had such a system of

accounts, for instance, been adopted in both these Banks, as is pointed out in this Supplement, and had a balance-sheet been produced every week, with a list of all the debtors of the Bank who owed them above a given sum, say £1,000., I do not imagine, even with the Directors of these Banks, that they could have got far wrong. Every temptation to apply the money of the Bank, on the part of the Cashiers, to their own purposes, would, in that case, have been removed. It was simply by not being called upon to produce clear and comprehensive statements of the accounts of the Banks, that these frauds were at all practicable. Had such statements been required, and their correctness been properly ascertained, which might have been done with ease, the idea of misapplying the funds of the Bank would, probably, never once have entered into the mind of the Cashiers of either establishment. Instead of employing their thoughts in the conducting private speculations underhandedly, and their ingenuity in misifying the affairs of Banks, to prevent their malversations coming to light, they would have devoted themselves, in all probability, to the honest discharge of their duty, and the concerns would have both been successful.

There have been, I find, one or two more instances in Scotland, of the same kind of blind confidence, in one individual, being attended with losses of a similar description ; but their timely discovery prevented their being carried to such lengths.

Now the question for every person who may feel disposed to embark his capital in a Joint Stock Banking Company is this, are the Directors of such Bank fit persons for Directors, and is there any chance of them, at their own hazard, as well as that of the proprietors,

leaving the uncontrolled management of the Bank in the hands of a Cashier for a great number of years ? If they think there is no apprehension of such being the case, these instances prove nothing against the principle, that the Banking business is a safe one in the hands of a Board of Directors ; they, on the contrary, serve to establish that Banking never is safe in the hands of an individual.

It may certainly be admitted that these instances afford a strong argument against the establishment of small Banks in agricultural districts where proper Directors are not to be obtained ; and indeed generally against the establishment of Banks on a very limited scale. The business of small places can be just as well, if not better done, by Branches from a large establishment ; while the division of labour necessary in every large Bank, and the system of checks consequent thereon, put an end to the idea of frauds of any great magnitude ; besides placing the superior officers more out of the reach of temptation, not merely by rendering fraud impracticable, but by their receiving better salaries, and holding a more respectable station in society. So that they have more to lose by any deviation from the strict path of rectitude, than any chance of gain they can propose to themselves.

It appears highly probable that, next session of Parliament, some further steps will be taken with reference to the Charter of the Bank of England, and the establishment of Joint Stock Banking Companies. It is admitted, on all hands, that the act of last session for altering the Bank Charter, and legalizing the formation of Joint Stock Banks, is defective, in consequence of

the restrictions imposed by the Bank ; and if it be not amended in the next session, there can be no doubt that the propriety of amending it will be discussed. When this occurs the expediency of granting Charters, or passing a general law to limit the responsibility of the Shareholders to the amount of their subscriptions, will, it is probable, be taken into consideration. Ministers have expressed themselves in favour of granting Charters, while others are opposed to the principle * ; and I hope I shall be excused if I venture a word or two upon the subject.

A Banker does not require capital, he only requires credit. His business is to trade with other people's capital,—to lend on the one hand what he borrows on the other ; but he cannot obtain credit without capital. Every Banker must be supposed to have money enough to meet the lossess he may sustain, or no person would place money in his hands. At the same time, as he does not want capital in his trade, if he can only lead the public to believe that he has it, he may be a Banker without any ; or indeed may carry on business, as has been repeatedly done, for twenty years, in a state of insolvency. Were this practicable in every business, it would occur so frequently that a system of laws would be framed to prevent, or at least to check it ; and that such has not been the case with regard to Banking, has arisen more from the difficulty of framing them, than from any want of inclination to put an end to such impositions.

The two chief plans which have been suggested for this purpose are—first, to compel Bankers to register

* Sir Henry Parnel appears to be opposed to it, in a very able pamphlet, "Parnel on Paper Money," which he has lately published.

their estates, and secondly, to give security for the amount of their notes in circulation. To the first of these it may be objected, that the mass of the public never refer to public registers ; and if they did, such registration would be no proof either that the estates had not been paid for with the money of the public, or that the deficiencies of the Bank did not exceed the value of them. To the second it may be objected, that the issues of the Banks are but a small part of their obligations to the public, and unless security was given for the whole, to give security for a part, would only benefit one class of creditors at the expence of another. Indeed it would be almost impossible to prevent private Bankers from trading without capital, except by putting them down altogether, or by the constant exercise of an inquisitorial power of inspection into the affairs of each Bank, which, with regard to the transactions of private individuals, could never be thought of.

The legitimate object, however, of any laws upon the subject, would not be to control the right of persons that have money, lending it if they thought proper, to those who have none, whether they were Bankers or not ; but to prevent those who have none, from getting possession of other people's money under a false impression, studiously kept up, that they are wealthy. If a person were to attempt to carry on a Banking-house in London with a capital of £5,000., there would be no more harm in it, did the public know the amount of his capital, than there would be in his attempting to carry on the business of Barclay's brewery with the same sum. He would succeed in the one just as much as in the other.

If a law, simple in its operation, could be framed, to

render the exact amount of every private Banker's capital known, and which, at the same time, should prevent him from applying the money lent him by the public to any but Banking purposes, inasmuch as it would prevent all fraud and deception, it would be a good law, and the Legislature would be bound to enact it. If the Banker in that case had little capital, it would be for the public to trust him or not as they thought proper, he would not deceive them; but if they preferred to do business with Bankers that had large capitals, they would have the opportunity of knowing which they were, and not be obliged to trust to surmises and reports upon the subject.

Now if this would be a good law in reference to private Banks, it must be equally good with reference to public Companies; while with the latter it would be practicable, but with the former it would not. Suppose it were enacted, that the Shareholders in any public Bank, with a certain number of subscribers, and say not less than ten Directors, should only be liable for the amount of their capital paid up, whether £5,000. or £500,000., the amount of capital being advertized, we shall say, upon their notes, would this be a good law as applied to private Banks, but a bad one as applied to public Companies? The administration of a given number of Directors, representing a given number of Shareholders, would prevent the misapplication of the Bank funds; and why should it be wrong in a hundred men to subscribe a capital, and hold out a security to the public, which it would be a sound principle in law that one person should be allowed to subscribe? This principle however, if not stated in these terms, is maintained in point of fact.

It is by no one contended, that it is not proper to encourage the establishment of Banks with known capitals, under a system of management which shall secure the right application of the monies of the public; it is, on the contrary, admitted to be the duty of Government to promote such establishments; and as Joint Stock Companies are of this description, it is considered to be the duty of the Legislature to afford every proper facility for such undertakings. But it is held, notwithstanding, that every person who takes a share, however small, in such a Bank, ought to be made responsible for it to the whole extent of his fortune. That is, if a person take a thousand pound share in a Bank, and be worth one hundred thousand pounds, he ought, though his object is merely to make twenty or thirty pounds per annum additional interest upon his thousand, to be security for its engagements in the sum of one hundred thousand pounds; while, if another Shareholder be not worth a shilling beyond the value of his share, it is equally proper such person should confer, by his personal responsibility, no additional security and credit on the Bank whatever. Now it is not equitable to impose unequal obligations by law, nor is it common sense to expect any man of property to impose upon himself any such risk for such a profit. If, then, we assume that Banking is a trade of great risk, and that it is, consequently, the more desirable to invite *bona fide* capital into it, this unlimited responsibility could have no such effect: it could have no other effect than to prevent people of property from engaging in such Banks; and this would prevent their establishment, and keep the trade in the hands of irresponsible individuals with unavowed capitals, or without any capitals at all. By seeking to obtain for the public

security beyond what is reasonable, and beyond the equity of the case, no security would be obtained whatever.

If, on the other hand, there be no risk beyond the capital subscribed ; if the private fortune of the wealthy individual (which he has no intention to embark in the undertaking) be not embarked in it, there appears no necessity for providing the public with a security which is quite superfluous, as well as inequitable in principle, and which, if it were not considered superfluous, could never be obtained. The effect of the present law, in short, is to drive Banks into the extremes of either offering a security unnecessarily great, or none at all.

It may, indeed, be said, that if the Shareholders are responsible to the extent of their whole fortunes, they will, in the first place, look more sharply after the affairs of the Bank ; and, in the next, take care that a sufficient capital be called up for their own security. But as to the first, they can only look sharply after the Bank, by appointing proper Directors ; and whether they are under this responsibility or not, they will appoint the best they can. And as to the next, so far from inducing the Banks to call up sufficient capitals, it appears, from experience, to have a different tendency.

The instances of the East Lothian and Fife Banks, just adverted to, show, that the credit which such Banks possess, from the personal responsibility of their proprietors, is apt to induce them to proceed upon a much more limited paid up capital, than is at all times prudent. No Bank, without such personal responsibility, would be trusted, with only a capital of from ten to twenty thousand pounds. Had the responsibility of the partners in these Banks been confined to the money they had embarked in them, there either would have been no such

Banks in existence, or they must have had each of them, at least, a paid up capital of one hundred thousand pounds ; and, even with that capital, their credit would not have been unbounded. It would have been completely confined to the small towns and neighbourhoods in which they were respectively situated. This capital would, in each case, probably have covered the losses that were suffered ; and though the Shareholders would have found themselves minus in the total amount of their Bank stock, none of them would have been called upon to make payments which they were totally unprovided for.

As it is, it appears to be thought, in Scotland, a right principle, that the Shareholders in Banks should be personally responsible. Mr. Thomas Kinnear, a very intelligent Banker in Edinburgh, was asked by the Committee of last Session (1826) on Scotch Banking,

“ Do you think it would injure the system of Banking
 “ in Scotland, if Charters were granted to the Banks
 “ generally, by which the property of the partners was
 “ rendered free from liability to loss, beyond what
 “ they hold in the concern ? ” His answer was, “ Yes ;
 “ I think if that were done generally, it would be very
 “ injurious. If such a Charter had been in existence in
 “ the case of the East Lothian and Fife Banks, it would
 “ have had the effect of injuring the public very mate-
 “ rially.” But this answer proceeded upon the erroneous assumption, that the credit of these Banks, which was founded upon the personal responsibility of the partners, and not upon their capitals, would have been the same without that responsibility as with it ; and that the public would have been creditors to the Banks as much in the one case as in the other. Whereas, had

the Shareholders in them been free from all personal responsibility, the public would not have lost by them, because they would not have trusted them. There could be no more effectual mode to compel Banks to advance and pledge real capital for the public security, than not to allow the public to trust to any other: it would put down all weak Banks, for they could never stand against the competition of the strong ones; and it would be a much more straight-forward and sound principle of law, than to rest the security of the public upon seducing Shareholders into a situation they never contemplated. This, at least, is the tendency of the law; and though it may be provided against by proper precautions on the part of the Banks themselves, it is not the better in principle on that account.

It has been generally thought that in the event of granting Charters, or making a law to limit the responsibility of the Shareholders in Banks, it would be necessary, on the part of Government, to provide some means of ascertaining, from time to time, their solvency; or otherwise to restrain them from doing more than a certain amount of business; and I must acknowledge myself, for one, to have been of that opinion. This, however, would increase very much the practical difficulty of granting Charters, or would subject the Banks to very inconvenient restraints. The Government must, in the first instance, be consulted in fixing the amount of capital for each Bank, without any proper data, in each case, to go upon. In the next, it must either first call, from time to time, for statements from them, in order to know whether the amount of capital remained adequate to their engagement or not; or, secondly, each Bank must be confined, under the penalty of forfeiting the privileges of

its Charter, to limit its engagements to a certain amount, proportioned to its capital, as in the case of the Bank of Ireland*; or thirdly, to publish, at stated periods, an account of its affairs, as in the case of the Bank of France.

A Bank does not get into extensive business at once; and if Government interfered in fixing the amount of its capital, it would fix it, in all probability, higher, in the first instance, than was necessary, or the immediate prospects of the Bank would justify. This, if it did not prevent the Bank from being formed, would be a great practical inconvenience to it. And as to the other plans:

1st, With regard to receiving returns: this would be troublesome to Government; or probably, if the Banks were numerous, would require the appointment of an officer, if not a board, for the purpose.

2nd, As to limiting the engagements of the Bank: this no Bank could be trammelled with; for a scale which might be proper for one Bank, would not be so for another. I suppose the deposits alone of the British Linen Company, must amount to five or six times its capital. Much of the business of a Bank is as safe, if not safer, than that of insurance against fire, in which the Offices transact to fifty or a hundred times the amount of their capitals. I should not imagine that the losses of the Scotch Banks, by cash accounts and mortgages, equalled, upon an average per cent., the losses incurred by fire insurance. Hence it would be impossible, with propriety, to limit the business of any Bank, without knowing the nature of it.

* I believe when the engagements of the Bank of Ireland exceed the amount of its capital, the limited responsibility of its Shareholders ceases.

3rd, In reference to publishing periodical statements : this is a plan which the public would like, but which the Banks, at least after they had been sometime established, and were doing well, would decline the privileges of their Charters rather than submit to ; for the certain effect would be, that as soon as ever a Bank prospered for a twelvemonth or two, one or two more would start up alongside of it ; and that, we know, which is quick in growth, is not always long in duration.

All these precautions must, I think, appear, on reflection, unnecessary. Let the public know the capital it has to trust to, and, in the competition of the market, no Bank could succeed that did not offer the most ample security. It is only when the public depends upon personal security, and has no precise knowledge of the circumstances of the parties, and is obliged to draw upon its imagination for its facts, that it ever is wrong on such a subject. Besides which, the losses of a Bank cannot be hid from the public ; no failure occurs, in which others do not suffer as well as they ; and as Banks mostly have collateral security, the public usually supposes their losses, by failures, much greater than, in the end, they generally prove to be : so that no danger could arise to any Bank of considerable capital, without the public being sufficiently advertized of it beforehand.

Should it, notwithstanding, by any be thought necessary, in event of a limitation of responsibility being granted to Joint Stock Banks, that some further check than this should be imposed upon them, I would venture to submit that the best check that could be imposed, would be to render the Directors liable to the extent of their whole fortunes, but not the other Share-

holders, upon the French principle of *commandite* partnerships.

Every Bank ought to be in that situation, both as regards the amount of its capital, and the nature of its transactions, that no person acquainted with its affairs could have the slightest concern as to whether he was personally responsible for it or not ; and if it be not in this situation, it must have arisen from a degree of culpable negligence on the part of every one of the Directors, for which they ought to suffer. Every Director can resign, though he may not be able to attend to his duty. But if he neglect it so grossly as not even to know the situation of the Bank, and yet continue his office of Director, he would justly merit any loss he might, in consequence, have to pay.

To this liability also any Director, who intended to pay the least attention to his duty, would not object. The Board of Directors would have it in their power, at all times, to call up sufficient capital to keep them free from any danger, and they would be the best judges of the amount which would be necessary for that purpose ; and should any individual Director be of opinion that the capital was not sufficient, and his brother Directors did not concur with him in the propriety of enlarging it, he could of course retire from the direction, and free his mind from every apprehension on the subject.

The consequence of such an arrangement would consequently be, that no person would continue to hold the appointment of a Director after he found he could give no attention to the affairs of the Bank, and the Directors, in securing themselves, would amply protect the public, without, at the same time, calling for more

capital than the extent and nature of the business should, from time to time, render necessary.

With regard to the law as it now stands, my experience suggests that there will be no difficulty in forming Banks under it, in great commercial towns, as soon as that spirit of public enterprise is restored which has received so severe a blow by the results of the Joint Stock Company mania of 1825. This will be more particularly the case in those places where the Bank of England has established agencies. The feeling, with respect to this step is, that the Bank is seeking to establish in practice, a monopoly which it is professed to put down in theory ; that it is already too large for a commercial establishment ; and that if the country is to have Joint Stock Banks, public Banks, managed by Directors acquainted with the local circumstances of each place, would be infinitely better than Branches of the Bank of England. Hence an opposition will be raised to the Bank of England, which it would be more difficult to raise against the local private Bankers. The plan given in the Appendix, for Banks at Manchester, Liverpool, &c. there can be little doubt will, sooner or later, be acted upon ; and when this is done, the example, it is probable, will be followed by most of the great manufacturing districts in the kingdom.

At Newcastle-upon-Tyne, the Bank of England has not established an agency, and a Bank cannot be formed without the aid of the county gentleman of Northumberland and Durham. The prospectus of a Bank for that, and the principal towns in those two counties, is given in the Appendix. To this thirty or forty noblemen and gentlemen have promised, and are desirous to give, their support, so soon as a Charter, or Act of

Parliament, can be obtained to limit the responsibility of the Shareholders. But living on their estates, at a distance from the seat of the Bank, and not being conversant in commercial matters, they cannot be perfectly satisfied with the safety of those checks by which the responsibility of the Shareholders can be practically limited, and they cannot of course entertain, for a moment, the monstrous idea of pledging their estates to support the credit of a Bank, in which they can have so comparatively trifling an interest. They are willing to set the example of embarking a portion of capital in it, and of undertaking a risk which they conceive to be fairly proportioned to the chance of gain; but more than this they are unwilling to encounter. This feeling is universal, I believe, in all agricultural districts; and, under the present law, there is no reason to imagine that public Banks can be instituted in these districts, by proper parties, on proper principles. The unlimited responsibility is a bugbear, which, without any chance of benefiting the public, defeats the object of the law.

APPENDIX.

PROSPECTUS OF A JOINT STOCK BANKING COMPANY,

With £3,000,000 of Capital,

PROPOSED TO BE ESTABLISHED IN LONDON IN 1824.

THE Banking business of this country is conducted by Private Banks, with not more than six partners; nearly three hundred of which have failed within the last thirty years.

The Banking business of Scotland is principally conducted by Public Banks, or Joint Stock Companies, by none of which have the public ever lost a shilling; on the contrary, the stocks of most of them are at from 100 to 300 per cent. premium, and there are instances of a much higher per centage.

Banking is one of those few trades which experience has shown to be best conducted by Public Companies. There are no laws in Scotland more favourable to such Companies than to Private Banks, yet, in the free competition of the market, the former have the advantage, and have consequently gained possession of the principal Banking business of that country.

This superiority arises from their unquestionable stability and unbounded credit, enabling them to do business upon principles, and to an extent, that the credit of Private Banks will not admit, and with a liberality the latter either cannot afford, or, at all events, do not practice.

The establishment of these Banks in this country has been hitherto prevented by the Charter of the Bank of England, the only exclusive privilege of which is contained in the following clause:

“ That it shall not be lawful for any body politic or corporate “ whatsoever, erected or to be erected, or for any other persons “ united or to be united in covenants or partnerships, exceeding the

" number of six persons, in that part of Great Britain called England,
 " to borrow, owe, or take up any sum or sums of money on their bills
 " or notes payable on demand, or at any less time than six months
 " from the borrowing thereof, during the continuance of such said
 " privilege to the said Governor and Company, who are therefore
 " declared to be, and remain a Corporation, with the privilege of
 " exclusive Banking, as before recited."

It thus appears, that a Bank with more than six partners is only prevented from "borrowing, owing, or taking up any sum or sums of money upon their bills or notes payable on demand, or at any less date than six months." The business of the London Bankers, however, does not consist in issuing notes or borrowing money to any extent upon their own bills, but in holding deposits, discounting the bills of others, and acting as agents for the country Banks, which business a Public Bank, with trifling limitations, is not prevented from transacting.

It is, therefore, proposed to establish a Joint Stock Banking Company in London, with £3,000,000 of capital, to transact this class of business; and it is confidently expected that it will possess the same superiority over the Private Bankers of London, which the Public Companies of Scotland have been found to possess over the Private Bankers in that country. The profits of Banking have, on the average, been greater in the metropolis than in any other part of the kingdom; and it is expected that the profits of this Company will be great in a corresponding degree.

Though an alteration in the Charter of the Bank of England is not essential to the establishment of this Company, yet such an alteration might be made as would be a great convenience to it, and a most important advantage to the country at large; and this, not only without injury, but with considerable benefit to the Bank itself, both by securing its monopoly more effectually than at present, and by freeing it from the greatest part of those objections which, by rendering it obnoxious to the public, threaten its existence as a privileged body. It is, therefore, also intended to make application to Parliament, to effect an arrangement with the Bank respecting the alteration required.

The above measure, as has been stated, was superseded by the Provincial Bank of Ireland.

PROSPECTUS OF THE PROVINCIAL BANK OF IRELAND.

Capital £2,000,000.

JOINT STOCK BANKING COMPANIES have been the most uniformly successful of any of our Commercial Establishments; and when constructed upon proper principles, and a scale of sufficient magnitude, have invariably proved a safe and profitable medium for the investment of Capital.

The Banking Business of Scotland is almost entirely conducted by these Companies, and the prices of their shares is the best criterion of their success. Of the four Edinburgh Banks, The Bank of Scotland, and The Royal Bank of Scotland, with capitals of a million and a half each, are at a premium of from 70 to 100 per cent. The stock of the Commercial Bank, which only commenced in 1810, and had to contend with a violent opposition, in a field completely pre-occupied, and the most disastrous times on commercial record, is at 70 per cent. premium. The British Linen Company 10 or 12 years ago, had, by the accumulation of its reserved fund or savings, raised its capital from £200,000 to £500,000, since which, notwithstanding the commercial distresses which have happened, and the increased competition it has had to encounter, its stock of £500,000, has risen to 200 per cent. premium; so that an original share of £200 is now worth £1,500. The Provincial Banks have been equally profitable:—a share of one of the Aberdeen Banks, which cost £150 at its first commencement about 40 or 50 years ago, is worth £2,200, and their stocks generally bear a premium of from 100 to 300 per cent.

The profitable returns which these Companies have thus made for the capital invested in them, have only been proportionate to the benefits which they have conferred upon the country. To its great commercial and agricultural prosperity they have very principally contributed; and by the recent measures of Government, a field has been opened for their introduction into Ireland.

By an arrangement made with the Bank of Ireland in 1821, and by an Act passed last Session of Parliament to repeal certain laws peculiar to Ireland, which have since obstructed their formation, Joint Stock Banks may be established at a distance exceeding 50 miles from Dublin. Thus the principal and most commercial parts of Ireland are free to receive institutions of this nature; and it is proposed to form one which shall extend itself over the ground in question.

Ireland also offers peculiar inducements to such an undertaking. Interest of money is at six per cent. and five may be had upon the best securities; by which means the capital of a Bank, not required for its current use, may be advantageously employed, independent of the profits derived from its Banking business. The success of the Bank of Ireland, the only Joint Stock Banking Company which has been established there, is a proof of the value of Banking in that country, and the best test by which to determine the merits of a similar undertaking. It was commenced in 1784. Its present Capital Stock is £3,000,000, five hundred thousand pounds of which was added in 1821, out of the accumulated profits of the Company, over and above a dividend of 10 per cent. regularly paid on its previous Capital. It is still supposed to have a considerable reserved fund, and £100. of its Stock sells for £260.

Conceiving, therefore, that the opening afforded presents a most favourable opportunity for such an Establishment, it is proposed to form one, to be termed THE IRISH PROVINCIAL BANK,* upon the following principles, subject to such modifications or improvements as the experience of the Committee, or Directors, may hereafter suggest.

The Bank to have a Capital of £2,000,000 if necessary, subscribed in Shares of £100. each. To have a Board of Directors in London, and Establishments for Business in the principal Towns of Ireland, which are distant above 50 miles from Dublin. At each of these places, a part of its Stock to be subscribed, and from the Stockholders a Local Board of Directors to be chosen. The Establishments to be managed by steady experienced persons sent from England, with the advice and under the inspection of the Local Directors, but subject to the entire control of the London Board, to whom accounts shall be regularly transmitted.

By this plan, an extensive field of business, local knowledge, and unlimited credit, will be combined with a vigilant system of management, eminently calculated to turn these advantages to the best account, and secure the utmost prosperity to the undertaking. At the same time, as an able and judicious system of Banking is one of the greatest commercial advantages which a country can possess, the benefits derived by Ireland from this Company will be very great.

For the purpose, therefore, of promoting its establishment, a Meeting was held at the *British Coffee House, Cockspur Street*, 15th June, 1824,

“ THOS. POTTER MACQUEEN, Esq. M. P. in the Chair;

When—“ *It was Resolved*,—That Banks, the particular business of which is to deal in money, afford, in the course of their transactions,

* The Title was afterwards altered to “ The Provincial Bank of Ireland.”

“ the most accurate knowledge of those who are worthy of credit,
 “ and capable of employing capital with greatest advantage to them-
 “ selves and the community, and are the best instruments to promote
 “ its circulation wherever it may be required.

“ *Resolved*,—That Joint Stock Banking Companies, which have
 “ been conducted with great success in Scotland, and which, at the
 “ period of their first establishment, are known to have given
 “ a very beneficial impulse to the trade of that country, appear
 “ well suited to the present state of Ireland, where capital is much
 “ wanted, and where, in many important Agricultural and Commer-
 “ cial Districts, there are no Banks whatever.

“ *Resolved*,—That a Banking Company, on the Plan proposed to
 “ the Meeting, would form the best means of introducing British
 “ capital into Ireland, and by securing a system of safe and prudent
 “ management, appears calculated to perpetuate in that country the
 “ advantages to be derived from good Banks, while it offers to its
 “ Stockholders the prospect of a highly beneficial undertaking.

“ *Resolved*,—That a Bank on this Plan, to be termed THE IRISH
 “ PROVINCIAL BANKING COMPANY, be established; and the follow-
 “ ing Gentlemen be appointed a Committee, with power to add to
 “ their numbers, and take such steps as shall appear necessary to
 “ carry the Establishment into effect :—

The Most Noble the Marquis of SLIGO
 The Right Hon. the Earl of ORMONDE
 and OSSERY
 The Rt. Hon. the Earl of DONOUGH-
 MORE
 The Right Hon. Lord CARBERY
 LESLEY ALEXANDER, Esq.
 MATTHIAS ATTWOOD, Esq. M. P.
 J. C. CURWEN, Esq. M. P.
 G. R. DAWSON, Esq. M. P.
 HENRY DOUGLAS, Esq.
 Sir JOHN DOYLE, Bart.
 Sir COMPTON DOMVILLE, Bt. M. P.
 The Rt. Hon. M. FITZGERALD, M. P.
 Sir W. INGILBY, Bart. M. P.

Sir T. LETHBRIDGE, Bart. M. P.
 W. ALEX. MACKINNON, Esq.
 T. P. MACQUEEN, Esq. M. P.
 S. E. MAGAN, Esq.
 Sir H. PARRELL, Bart. M. P.
 T. SPRING RICE, Esq. M. P.
 ALEX. ROBERTSON, Esq. M. P.
 ROWLAND STEPHENSON, Esq.
 R. W. TALBOT, Esq. M. P.
 W. THOMPSON, Esq. Ald. & M. P.
 W. H. TRANT, Esq. M. P.
 F. W. TRENCH, Esq. M. P.
 RICHARD WELLESLEY, Esq. M. P.
 LESTOCK WILSON, Esq.

“ To which T. JOPLIN, Esq. be requested to act as Secretary.

“ T. POTTER MACQUEEN, CHAIRMAN.”

Messrs. FARRERS, ATKINSON and Co. Solicitors, London.

Messrs. P. and D. MAHONY, Solicitors, Dublin.

At a Meeting of the Committee, held at the *King's Head Tavern, Poultry*, on the 13th of July, 1824.

" T. P. MACQUEEN, Esq. M. P. in the Chair;

" *It was Resolved*,—That the foregoing Prospectus and Resolutions be published; and that application for Shares be received by " Mr. JOPLIN.

" *Resolved*,—That as soon as the Shares are appropriated, a Deposit of five per cent. be called for.

" T. POTTER MACQUEEN."

Applications for Shares by letter, (post paid), may be addressed to Mr. JOPLIN, *Levant House, St. Helen's Place, Bishopsgate Street.*



In the commencement of 1826, it was the Author's intention to have endeavoured to form a Provincial Bank of England, and with that view he published the following Prospectus. He found the principal Merchants in London very well disposed to support such an undertaking; but the times not being favourable he did not persevere in it, though he may perhaps resume it again at some future period. In the mean time, it contains a plan which might, with modifications, be advantageously adopted in the country by Banks that wished to form distant branch establishments.

Subsequent to the publication of this Prospectus another Company, under the title of the Provincial Bank of England and Wales, was proposed by Messrs. Wilks and Verbeke. These gentlemen, it is proper to state, when they adopted the title of their proposed undertaking, were not aware that they had been anticipated.

PROVINCIAL BANK OF ENGLAND.—*Capital, £5,000,000.*

NOTWITHSTANDING the numerous failures that occur amongst Private Bankers in England, there is no business more safe and profitable than Banking, when conducted by public Companies.

Their known capital, and numerous proprietary, give them a credit which is never shaken; while they are constrained, by the nature of their constitution, to confine their business to Banking on the strictest and most legitimate principles.

The instances are consequently rare in which such Companies have not proved highly successful. In Scotland, where the Banking business is principally engrossed by them, their capital stocks bear in general from one to three hundred, and there are instances of some bearing upwards of £1,000 per cent. premium.

The capital, the business, and the money transactions of this country, are much more extensive than those of Scotland. It consequently presents a still better field for such undertakings; and as, by the proposed alteration of the Bank Charter, they may be formed for the purposes of Banking, in those parts of the kingdom which exceed the distance of sixty-five miles from London, it is conceived that the formation of an establishment, on the following principles, would be highly beneficial to the country, as well as to those who may be concerned in it; and will be entitled to the support of all who are desirous to see public credit placed upon a solid foundation.

“ That a Bank be established, in London, with £5,000,000 of capital, more or less, as may be hereafter determined, to be called THE PROVINCIAL BANK OF ENGLAND.

“ That a subscription be opened for two millions, in the first instance, after which the capital be increased by additions, made in equal proportions to the stock of the original subscribers who may choose to accept the additional stock offered them.

“ That a separate Bank be established in every principal town or county in the kingdom, situated not less than sixty-five miles from London, with a separate capital proportionate to the business of the place, to be connected with the London Company in the following manner :

“ That one-third, or one-fourth, or such other proportion as in each case may be agreed upon, of the capital of each of these Establishments, be subscribed by the London Company, and the remainder on the spot.

“ That the Directors of these establishments shall be elected by their respective local Shareholders.

“ That the Directors of these establishments shall have the management of their respective Banks, but periodical statements of the affairs of each shall be submitted to the London Board, who at any time shall have the power to call for accounts, and investigate their affairs, by inspectors or otherwise.

“ That in event of the London Directors perceiving any thing wrong in the management, they shall submit the subject to a general meeting of the local Shareholders, called by them for that purpose, should they ever find such a proceeding to be necessary.

“ That the London Company shall be managed by a court of acting Directors, consisting of not less in number than fifteen, and not exceeding twenty-four, as shall be hereafter determined; together with Auditors, Honorary Directors, Presidents, Vice-Presidents, or Governors, provided such officers be thought desirable or expedient.

“ That one half or two-thirds of the Directors shall be experienced merchants, or men of business in London.

“ That a Committee, with power to add to their number, shall be chosen, to form this establishment, and to remain a Committee until that be accomplished.

“ That the constitution of the Country Banks shall be suited to the local circumstances of each, and be arranged with Committees of the local Shareholders.”

By this plan each Country Bank will enjoy the additional credit afforded by the capital of the London Company, and a salutary check over the management of its affairs. The great difficulty which would otherwise be experienced in the formation of these establishments, will thus be removed. People of property might not be disposed to embark in them, whatever be their prospect of success, without being rendered perfectly safe against the effects of bad management, should any take place. This however is effectually guarded against by the supervision of the London Directors. It will not only in effect limit the responsibility of the Shareholders to the amount of their subscriptions, but reduce it almost to a certainty, that under the worst of circumstances, no loss upon the capital advanced to any amount could ever happen. At the same time, it might also be a proper clause to insert in the Deed of Settlement of each Bank, that if at any time it lost 25 or 30 per cent. of its capital, the partnership, by such loss, should be dissolved *ipso facto*.

The advantages offered to the Shareholders of the London Company by this plan are, that they will participate in the average success of

a certain number Provincial of Banks, with the certainty that their connection with no Bank will be continued, without it be successful; and to the Shareholders of the Provincial Banks, that their safety will be rendered certain, and their chances of success improved, without expence or inconvenience.

In the minds of many no fear of the safe management of these Banks, by their respective Boards of Directors, will ever exist; but there have been periods in the history of every Joint Stock Banking Company, whose history is at all known, in which an inspection of the state of its affairs, and the principles upon which it was conducted, by competent parties having no connection with the management, might have been useful. This inspection could never be so well exercised as by the London Directors, for not only will they be fully competent to exercise it properly from their general knowledge of business, and from the habit and experience acquired by the inspection of so many Banks; but situated, as they must be, sixty-five miles at least from the seat of each Bank, they can never have any personal motives of interest or policy to induce them to interfere where interference is unnecessary, while no possible harm can ever arise from their being acquainted with the state of a well managed concern.

To the latter, indeed, they will be able powerfully to contribute, by assisting the Country Directors in the management of their funds in London, which is an important part of the business of every Bank, and always best done by those who are on the spot; and also by forming a judgment of those large transactions, by which bankers often suffer, which are sometimes better seen through in London than in the country. Besides which, at the outset, the London Directors will be able to give the most effectual assistance in forming and completing the arrangement of each Bank; and in its progress, will be able to renew that assistance whenever it may be required.

The duties of the London Board, though important, will neither occupy much of the time of the Directors, nor render a large Establishment necessary.

It must be six or nine months before these Banks can be established, and any capital required, and before it might be prudent, in the present state of the money market, to call for any. In the meantime a deposit of one per cent. will be required to cover the expences that may be incurred.

PROSPECTUS OF THE LANCASTER JOINT STOCK BANKING
COMPANY.—*Capital, £200,000.*

NOTWITHSTANDING the failures which have so repeatedly occurred amongst the Private Banks of this country, no business has proved so uniformly safe and profitable as Banking, in the hands of Joint Stock Companies.

Of this, the success of these Companies in Scotland is a sufficient proof. The business of that country is principally engrossed by them, and their capital stocks bear in general a premium of from one to three hundred per cent. There are instances, indeed, of their bearing a much higher per centage. In Aberdeen, a town not better situated for Banking than Lancaster, the Shares of a Bank which only cost £150. each, when the Bank was established thirty or forty years ago, have lately been sold for £2,200.

There are simple and obvious rules of prudence to be observed by the conductors of a Bank, which, if adhered to, preserve its transactions from risk. It is only when these rules are departed from, that losses of any importance are ever incurred.

Private Bankers who are not accountable to others for their conduct, are often tempted, and are sometimes obliged, to depart from these rules. But this is never the case with Public Companies. Their Directors are neither tempted by interest, nor can they be induced by fear, to incur the responsibility of deviating from the strictest and most legitimate principles proper to be observed in the management of Banking affairs. By this means, though their profits are sometimes curtailed, their losses are never considerable.

The loss of profit which thus they may sometimes experience from an excess of prudence in particular cases, is much more than compensated by the extended scale on which their superior stability and credit enable them to conduct their operations. Private Bankers can never, with prudence, lend money at home upon any security but commercial bills at short dates. Whereas Public Companies are enabled to make more permanent advances to their customers, and instead of sending the whole of their surplus money to London, to be employed on the Stock Exchange, they furnish the industrious agriculturist, the tradesman, and others, who can give good security, with a useful addition to their capital on easy and convenient terms. To the agriculturist in particular, Public Banks are highly useful. The Scotch Banks have, at all times, given a most valuable support to the agriculture of that country.

Nothing is more wanted at present in Lancaster than a good Bank, and no greater benefit could be conferred on the town and neighbourhood, than the establishment of a Joint Stock Banking Company on proper principles; while the extent of deposits, amounting to nearly £700,000, in the two Private Banks which have failed, sufficiently attests the goodness of the field for such an undertaking. It is therefore proposed to form one upon the following principles.

“The capital to be £200,000;—twenty-five per cent. of which to be paid up in the first six months, and the remainder as it shall be hereafter required, by instalments, not exceeding ten per cent. in the course of any one year.

“That the Bank shall issue its own notes, of the value of £5. and upwards.

“That there be eight acting Directors, six of whom, at least, shall be experienced men of business. That two shall go out annually, by rotation.

“That there be three Auditors, to be elected annually.

“That there be a Governor, to be elected annually, whose station shall be honorary.

“That the principal Officers of the Bank shall be chosen for their knowledge and experience in the Banking business, and be required to give security adequate to the trust reposed in them.

“That should the Company ever lose twenty-five per cent. of the Capital advanced, it shall, by such loss, be dissolved *ipso facto.*”

With regard to this last clause it may be observed, that no Public Bank would be allowed to go on until it lost twenty-five per cent. of its capital. Long before such a loss could be suffered, the Shareholders, for want of their regular profits, would lose confidence either in the management of the Directors, or the goodness of trade, and dispose of, or dissolve the concern. But this clause is intended to serve the purpose for which a Charter would be required. It will practically limit the responsibility of the Shareholders to the amount of the capital subscribed, quite as effectually as could be done by a Charter. At the same time, Government are willing to grant Charters, so soon as the Bank of England shall consent to their doing so; and there is little doubt, from what has been said upon the subject in Parliament, that, in a year or two, any Bank which is established may obtain a Charter, if it shall be desirous to have one upon the terms which Government will prescribe.

The following resolutions were adopted at a general meeting of the inhabitants.

TOWN HALL, LANCASTER, July 14, 1826.

At a meeting of the merchants, traders, and others, convened this day, pursuant to advertisement, to take into consideration the expediency of establishing a Joint Stock Banking Company in this town,

SAMUEL GREGSON, Esq. Mayor, in the Chair;

The following Resolutions were moved and carried unanimously :—

1. THAT the trade and commerce of this town have been seriously injured by the insecure system of Banking which has hitherto prevailed, involving in its consequences the failure of both the Lancaster Banks; and that great inconvenience having resulted, and being daily experienced in pecuniary transactions; it is, in the opinion of this meeting, highly expedient that a Bank should be forthwith established in Lancaster, on principles combining general security with individual accommodation.
2. That the advantages of safety and profit to the Bankers, with convenience to the public, will be best attained by means of a Joint Stock Banking Company, formed and regulated according to the most approved principles and rules of similar establishments; with a sufficient capital, divided into a considerable number of shares, and managed under the supervision and direction of a Committee chosen from the body of the Proprietors.
3. That a Banking Company be accordingly established in Lancaster, under the following general outline of plan, subject to such modifications and improvements as may subsequently be deemed necessary by the Subscribers.

- 1st. The capital stock of the Company to be £300,000, divided into 3,000 shares of £100 each.
- 2nd. No person to hold originally fewer than 5, or more than 100 shares; nor at any subsequent period more than 150.
- 3rd. The Directors are not to call for more than 20 per cent. of the capital during the two first years from the establishment of the Bank, without the authority of a general meeting of Proprietors.

- 4th. No part of the capital or funds of the Company to be lent to any person or co-partnership, without security to the satisfaction of the Directors.
- 5th. No Proprietor to be entitled to attend or vote at general meetings, who does not possess five Shares, nor to be qualified as a Director unless in possession of thirty Shares; but any Proprietor, so entitled to vote, may also be allowed to hold proxies to the amount of one hundred Shares.
- 6th. A regular contract of co-partnership to be prepared, under the direction of a Committee of Shareholders appointed for that purpose.
- 7th. The utmost publicity consistent with the nature of the connexion between a Bank and its customers to be observed; and a general statement of the affairs of the Company, shewing its property, profits, losses, and expences, to be annually laid before the Proprietors.
4. That a subscription list be now opened; and that Messrs. John Armstrong, jun., William Satterthwaite (New-street), John Fearnside, and Leonard Willan, be appointed to receive the subscriptions of those persons who are desirous of becoming Shareholders; and that they do convene a meeting of the Subscribers, on an early and convenient day in August, for the purpose of finally arranging the formation of the Company, and of adopting rules for its effectual operation.
5. That these Resolutions be advertized in the Lancaster Gazette.

SAMUEL GREGSON.

The Mayor having left the chair, the thanks of the meeting were unanimously voted to him, for his able conduct on the occasion.

The undermentioned Proposals, for a Bank in Northumberland and Durham, were circulated in the latter end of 1826; and the following letter of the respectable solicitors by whom the measure is agitated, will explain the situation in which it now stands.

Newcastle-upon-Tyne, 27th December, 1826.

SIR,—Since we last had the honour of addressing you on the subject of the proposed Joint Stock Banking Company for the Counties

of Northumberland and Durham, we have endeavoured to ascertain the feelings and sentiments of His Majesty's Ministers regarding it, and we are happy to state that they have expressed themselves highly in its favour.

We have reason, however, to believe, that Ministers would be unwilling to have the subjects, either of Banking or Currency, forced upon their consideration this Session of Parliament. It is probable they wish for the opportunity of giving them their more undivided attention. This being the case, it appears to us that it might be impolitic to take the steps, at this moment, pointed out in our last circular; and in the exercise of what, we trust, the friends of the undertaking will consider a sound discretion, we shall venture to postpone, for the present, the meeting that was to have been held this month.

Should nothing occur to render an earlier meeting desirable, we propose to take the liberty of calling upon the friends of the measure to meet shortly after the prorogation of Parliament. In the meantime, we shall not be inattentive to the interests of the establishment; and as a few months' delay cannot diminish the necessity for, or the value of, the undertaking, we hope it will have no other effect upon its numerous, and, we trust, rational supporters, than to confirm them in the sentiments they at present entertain.

We have the honour to be,

Sir,

Your most obedient Servants,

C. and P. FENWICK.

PROPOSALS FOR A PUBLIC BANK IN THE COUNTIES OF NORTHUMBERLAND AND DURHAM.

To be Incorporated by Royal Charter.

No institutions are more important to a country than its Banking establishments. They are the sources of the greatest evils or the greatest good, and no person who feels any interest in the welfare of society can be indifferent to them.

The convulsion into which this country has been thrown by the late panic, the severe distress in the manufacturing districts which it has chiefly caused, or greatly aggravated, and the fall in the prices of agricultural produce that has been the consequence, imperatively call for the introduction of a better system of Banking.

For this the Legislature, in the last Session of Parliament, has

endeavoured to provide, by passing an Act to alter the Charter of the Bank of England, and legalize the formation of Joint Stock Banking Companies; and, it is unnecessary to say, that the practical formation of these Companies is now required to fulfil the object of the Legislature, and place public credit on a footing of greater security.

It is not meant by this to infer, that there is any doubt whatever to be entertained of the existing establishments in any part of the kingdom; nor would the late failures of individual Banks have produced the present distress, unconnected with the panic. It was the effect upon the currency, produced by the want of confidence in all the Banks, to which the present evils are chiefly to be attributed. Had the good Banks never been doubted, the failure of the bad ones would have done little harm to the country at large. The effects would have been chiefly felt in the neighbourhoods where they occurred. At the same time, as the panic extended more or less to every Bank in England, it affords a sufficient proof that no degree of wealth and respectability in a Private Bank, can secure it that public confidence which a Bank ought to enjoy.

It is well known that the panic did not extend to Scotland, where, though Private Banks exist, they are supported and upheld by a proper intermixture of Joint Stock Companies; and as the establishment of a certain number of these Companies throughout this country would go far to prevent a recurrence of the present evils, as well as assist in removing them, it becomes in some measure the duty, as well as the interest, of every one to promote their formation.

This is more particularly the case with gentlemen of landed property. The best Private Banks are of little use to agriculture. They can borrow the money of agriculturists, but cannot lend it to them again. They can lend money only upon bills, and of these a farmer or land-owner has none. Any assistance granted to them must be of a more permanent nature; but such advances no Private Bank can make. A Bank lends on the one hand the money it has borrowed on the other, and if it is subject to be suddenly called upon to pay what it has borrowed, it must equally preserve the power of recalling, at a short notice, what it has lent. But a large Public Bank is differently situated; it has no fear of the public distrust; and by giving a rate of interest suited to the existing value of money, can calculate upon a certain sum in deposits always remaining with it, which it may lend out in any way most conducive to its own interests and those of the public. Public Banks, in consequence, are enabled to afford great assistance to agriculture, and the Scotch Banks do so to a consi-

derable extent. In the little town of Coldstream alone, on the borders of Northumberland, they have two considerable Branches; the trade of which is exclusively amongst the agriculturists.

By the trading community the advantages of these establishments would equally be felt; for though the assistance which the Private Banks give to the public, is given to trade exclusively, yet that assistance is very limited compared to what can be afforded by Public Companies, both in discounting bills and in more permanent advances.

Were a Public Bank established in these counties, with branches and agents in their principal towns, it would lend money to the farmers and land-owners upon personal bonds, and other securities that were good, as well as borrow from those who had it to lend. And as the loans of a Bank are generally made to the enterprising, able, and industrious, and are, consequently, well employed, a useful stimulus would thus be given, by such an establishment, to the agriculture of this part of the kingdom.

It is unnecessary to dwell further upon the value of a Bank of this nature; it seems to be now correctly appreciated; and it is understood that there are many gentlemen of influence, in both counties, desirous to see such a Company formed. This being the case, it is proposed to form one, if a sufficient number, who are quite independent, are willing to unite for that purpose, and if the measure shall otherwise receive that patronage and support from all ranks to which it may justly lay claim.

It is not now intended to enter into the details of the plan proper to be adopted. These must be arranged, and submitted to the Subscribers and the Public, by the Committee which may be formed to establish the Bank. It will be sufficient to mention that those who have been consulted upon the subject, appear to think that the subscribed capital should be £500,000, of which from one to two hundred thousand pounds should be called up in the first year, and such other part as may afterwards be required, by degrees, at the rate of five or ten per cent. per annum. That the capital should be subscribed in shares of £100. each; that one person should not be allowed to subscribe for more than 50 or 100 shares; and that the Company should have establishments for business in Newcastle, Shields, Morpeth, Alnwick, Hexham, Sunderland, Durham, Darlington, and Stockton.

The prospects of success which such a Company holds out, are considerable. The stock of the Commercial Bank of Scotland, which commenced in 1810, under much less favourable circumstances, sells for double its original value, besides having paid a bonus of 25 per

cent. over and above its dividends. The Bank of Scotland has also paid two bonuses of twenty-five per cent., in addition to its dividends, in the last seven or eight years; and the other large establishments have done well in pretty much the same proportion. In this part of the country, the field may be said to be in part unoccupied; for there is an extensive trade open to any Joint Stock Company, which no Private Banker can touch, independent of that portion of the existing business of this extensive mining and commercial district, which such a Company would naturally obtain. In return for the latter, it would be ready in times of difficulty to afford that assistance to all the Private Banks in this part of the kingdom, which they are now obliged to obtain from the Bank of England, or purchase in London, at those periods, by making great sacrifices. It would thus prove a support to them, for which, at such times, they would not think they had paid too dearly. Banking, in short, in the hands of Joint Stock Companies, properly constituted, has uniformly proved a safe and profitable medium for the investment of capital, and Northumberland and Durham offer an excellent situation for such an Establishment.

Although in a public Bank, properly constituted, with a sufficient capital, the idea of any risk, beyond the amount subscribed, is altogether chimerical, yet country Gentlemen, unacquainted with business, might be unwilling to give their support to such an undertaking, without a Charter to limit the responsibility of the Shareholders to the amount of their subscriptions; and for this it is intended to apply. His Majesty's Ministers have declared themselves favourable to the principle of granting Charters, and the Bank of England having no substantial inducement to oppose this privilege being granted, there is little or no doubt that one may be obtained, if it shall appear to be the general wish of the two counties that such an establishment should be formed.

The applications for shares in this undertaking exceeded, in a very short time, the amount of its capital.

PROSPECTUS FOR THE ESTABLISHMENT OF A PUBLIC BANKING COMPANY FOR HUDDERSFIELD AND THE SURROUNDING DISTRICT,—*Capital £500,000.*

TO BE CALLED “THE HUDDERSFIELD BANKING COMPANY.”

THE late panic, which caused such a lamentable effect upon the trade of the kingdom, and so materially contributed to the general

distress suffered by the commercial and manufacturing classes, has been felt by Huddersfield and its neighbourhood in a peculiar degree: not only has it suffered the evils resulting from the general suspension of demand, which have been common to all manufacturing districts, but it has been visited with an additional local evil, in the failure of five Banking establishments, by which some hundred thousand pounds were instantaneously withdrawn from circulation.

It is unnecessary to dwell upon the deep and widely-extended miseries, as also the damp thrown upon commercial enterprise, which have been the result: they are fresh upon the recollection of every one, and have been the means of again retarding the growing prosperity of a district which, in former years, has had to encounter similar evils.

By the failure of these Banks, however, a vacuum has been caused, which, in all probability, will be filled up by other establishments of a similar nature, equally subject to the same disasters, and from which the same consequences may again arise, unless a public Company of a more solid description be formed in their place, and it has become a subject of anxious inquiry how far this can be effected.

It appears in evidence, before a Committee in the House of Commons,* that all the losses which have happened for the last century in Scotland, through the medium of its Banks, have not exceeded £36,344.; and that these losses proceeded from two which never enjoyed the confidence of the country; that panics, or a general distrust in the credit of Banks, are there totally unknown; and that this proceeds from their chiefly consisting of public Companies, with large subscribed capitals, and managed by Committees, usually termed Courts of Directors.

Banking, it seems, is a business, when properly conducted, by no means subject to any great risk. It is the duty of a Bank to lend money only when it can be done with apparent safety; and where two or three men of experience are found to agree in the propriety of a Banking transaction, there is seldom any danger in it. Consequently, when a Bank is managed by a body of Directors, who are chosen for their respectability, experience, and fitness for the station, it is always managed without material loss; and generally, as has been proved by experience, with considerable profit. Hence to establish such a Bank for this district, is the object desired; and it is needless to observe, that it has become, in some degree, a public duty to promote an undertaking of this nature.

* Report of the Select Committee on Promissory Notes in Scotland and Ireland, May, 1826, evidence of I. Gibson Craig, Esq. Appendix, page 270.

The Government, it may also be observed, is desirous, with a laudable anxiety for the public welfare, to see such Companies instituted; and an Act of Parliament was passed last year, with general approbation, to permit and legalize their formation at the distance of sixty-five miles from London; so that the impediment which previously existed to such an establishment, in Huddersfield, is now removed.

The Act provides, that no person shall be liable for the subsequent transactions of the Bank after he ceases to be a Shareholder; nor is he to be liable, at the end of three years, for its transactions during the time that he was a Shareholder.* The Banks are authorized to sue and be sued, in the name of their public officer: thus giving them the facilities possessed by a corporate body.

There is, likewise, every encouragement to form such a Bank which a prospect of success can afford. The prosperity of the Bank of England and the Bank of Ireland is very well known; and that of the Scotch Banks has not been at all inferior. There are thirty-four in that part of the kingdom, ten or twelve of which are public Companies, some of them possessing £1,000,000. of capital and upwards, and the premium upon their different stocks may be stated at from one to three hundred per cent. There are instances, indeed, of much greater success: the shares of a Bank in Aberdeen, the original cost of which, forty years ago, was £150., have been sold for £2,200.

The great extent of business done in Huddersfield and the surrounding district, renders it a valuable station for such a Bank: probably no Bank was ever commenced in Scotland with better prospects than it will possess; and this not only from the amount of business done, but from the nature of it.

The profits of the Scotch Banks have arisen without any charge being made for commission on bills discounted, and on current accounts, which is one of the chief sources of profit with the Banks in this town and neighbourhood. And as it is not proposed to conduct this Bank in opposition to the respectable private establishments now in existence, but rather to act in conjunction with them, the same mode of charging will be adopted; by which means a double profit, compared with the Scotch system of charging, will be obtained.

The additional resources, however, of a Public Banking Company,

* It may be observed, that his liability, in point of fact, ceases after he sells his shares, and the transfer of them receives the sanction of the Directors; as the existing partners, by such sanction, take his responsibility upon themselves, failing the party whom they have accepted as a Shareholder in his place.—*Note to 6th Edition.*

derived from its credit, and the superior amount of deposits that may be made with it, will otherwise enable it to grant facilities which cannot be given by private partnerships. The present practice is to make all acceptances payable in London, though both the drawer and acceptor reside in the country; but a Public Banking Company would discount such bills, although payable in the country, by which a great expence to its customers would be saved. It would likewise grant advances, to a limited extent, on good security, of a more permanent nature than advances on bills: these, which are termed cash accounts, and are made on condition of the account of the party being, in other respects, operative and profitable, have been found very advantageous both to the Banks and the public of Scotland. Other advantages might be pointed out; but sufficient, it is presumed, has been stated, to show the value of such an undertaking; and the following is submitted as the outlines of a plan, upon which such a Company is proposed to be formed.

1. That the subscribed capital shall be £500,000., to be divided into 5000 shares of £100. each.
2. That no individual shall subscribe for more than 100 shares.
3. That each subscriber shall, on or before the 1st June, 1827, pay the sum of twenty per cent. on the amount of his shares; and if any further calls shall be required, they shall be paid in such instalments as the Directors shall appoint; but no such instalment shall exceed five per cent. in any one year, nor without three months previous notice from the Directors.
4. That subscription books shall remain open till the 1st of April, 1827; and if one half the shares be taken by that time, the Bank shall proceed to make arrangements for commencing business on the 1st of July next; and any shares which may not be subscribed for previous to the 1st of April next, shall be the property of the Company, and afterwards disposed of at such times and in such manner as the Directors shall appoint.
5. That 10s. per share shall be paid at the time of subscribing, to cover the first expences of the undertaking and establishment.
6. That the Bank shall be managed by five Directors, to be chosen by the Shareholders; that three of such Directors shall be re-elected by ballot annually, and that the places of the two retiring shall be supplied, in a similar manner, from the body

of Shareholders. The number of Directors may be afterwards increased to nine, provided it shall be thought desirable to do so.

7. That the qualification of a Director shall be fifty shares.
8. That the Shareholders shall have the power, at any time they may see proper, at a public meeting called for that purpose, to appoint three of their body to examine into the state of the Bank and its management, and to make a report thereon.
9. That every holder of five shares shall have one vote ; of twenty shares, two votes ; and one vote more for every additional twenty shares, to the extent of not exceeding six votes.
10. That if ever the Bank shall lose twenty-five per cent. of the paid up capital, the Directors shall, within twenty days, call a general meeting, and lay a statement of the affairs of the Bank before it, when the Company shall be dissolved ; or if any of the Shareholders are desirous to carry it on, they shall be at liberty to do so, after paying the dissentients the value (properly estimated) of their shares.

Upon this plan it, perhaps, will be proper to make one or two explanatory observations. The subscribed capital proposed may appear large, compared with the sum required to be paid up in the first instance. The reason of forming so large a capital is, that it is the *utmost* amount that is supposed could be wanted, should the business be extended to other towns, and become as great as can be anticipated under any circumstances ; and it is necessary, in anticipation of any extension of business whatever, to reserve the power of raising capital when necessary, otherwise it could not be done without the consent of every individual Shareholder, or by means of an Act of Parliament.

With respect to the last clause, it may also be observed, that long before the Bank would lose twenty-five per cent. of its capital, the presumption is, that the Company would be dissolved. The Directors, finding that they could gain no honour, and the Shareholders no dividends, it would be given up by mutual consent. In rendering it, therefore, compulsory on the Directors to call a meeting, in case of twenty-five per cent. of the paid up capital being lost, nothing more is provided by it than what, in all probability, would occur without such provision ; while an assurance is given to the Shareholders at large, that they cannot suffer any material loss without immediately being informed of the fact by the Directors, and have perfect liberty

to withdraw, if, under the circumstances, they may think proper; an assurance which must have the effect of increasing their confidence in the undertaking.

A Public Meeting will be held at the Court House, Huddersfield, on Friday, the 9th day of March, 1827, at eleven o'clock in the forenoon, to take the subject into consideration.

RESOLUTIONS PASSED AT THE MEETING.

At a meeting of the inhabitants of the town of Huddersfield and the surrounding district, held at the Court House, in Huddersfield, on Friday, the 9th day of March, 1827, pursuant to public advertisement,

JOSEPH ARMITAGE, Esq., IN THE CHAIR,

It was Resolved,

1. That the general discredit into which the Banks of this kingdom were thrown in December 1825, and the early part of 1826, by the failures and stoppages which then took place amongst them, has been productive of the most distressing consequences to the nation at large.

That the perfect stability of, and public confidence in, the Banking Companies of Scotland during the same eventful crisis, afford a sufficient proof of their superiority over that of Private Banking Establishments.

That the Legislature, foreseeing the beneficial effects likely to result from Banking being conducted by Public Companies, has lately passed an Act of Parliament to authorise their introduction into this kingdom; and it has, therefore, in the opinion of this meeting, become the duty, as well as the interest, of those who have any stake in it, to aid in promoting the establishment of them, and furthering an improvement so essential to the general welfare.

That Huddersfield and the surrounding district not only suffered the general distresses, in common with other parts of the kingdom, but was also visited with an additional local evil, in the stoppage of five Banks; thereby producing a vacuum in the circulating medium, which will, most probably, be filled up by Private Banks, equally subject to the same disasters, and from which the same consequences may again arise, unless a Public Company, founded upon a more solid basis and conducted on better principles, be formed in their place.

That, as this district presents a wide field for the operations of a Public Banking Company, and holds out every prospect of success, it is the opinion of this meeting, that such an establishment would not only be a public good, but a safe and profitable medium for the investment of capital.

That a Public Company, to be called "The Huddersfield Banking Company," be accordingly formed, under the following general outline of plan, subject to such modifications and improvements as may subsequently be deemed necessary by the majority of the subscribers.

That the subscribed capital shall be £500,000., to be divided into 5,000 shares of £100. each.

That no individual shall subscribe for more than 100 shares; and that no transfer of shares shall take place, until twelve months after the opening of the Bank.

That each subscriber shall, on or before the 1st day of June next, pay the sum of ten per cent. on the amount of his or her shares, the further sum of five per cent. thereon, on the day the Bank opens, and the further sum of five per cent. thereon, on the 1st day of October then next; and if any further calls be required, they are to be paid in such instalments as the Directors shall appoint; but no such instalments shall exceed five per cent. in any one year, nor without three months' previous notice from the Directors.

That subscription books shall remain open till the 6th of April next; and if by that time one half of the shares be taken, the Bank shall proceed to make arrangements for commencing business on the 1st of July next; and any shares which may not be subscribed for previous to the said 6th of April, shall be the property of the Company, and afterwards disposed of at such times and in such manner as the Directors shall appoint.

That ten shillings per share shall be paid at the time of subscribing, to cover the first expenses of the undertaking and establishment.

That the Bank shall be managed by seven Directors, to be chosen by the Shareholders. That four of such Directors shall be re-elected annually, by ballot, at a general meeting to be called for that purpose; and that the places of the three retiring shall be then and there supplied in a similar manner from the body of the Shareholders. The number of Directors may be

afterwards increased to eleven, provided it shall be thought desirable to do so.

That the qualification of a Director shall be thirty shares.

That on the last Friday in January and July 1828, and on the same days in each succeeding year, a general meeting of the Shareholders shall take place, when the Directors shall produce and exhibit a balance sheet of the state of the Bank affairs; and the dividend for the preceding half-year shall be then and there declared by the Directors.

That the Shareholders shall have the power, at any time they may see proper, at a public meeting called for that purpose, to appoint three of their body to examine into the state of the Bank and its management, and to make a report thereon.

That every holder of five shares shall have one vote; of twenty shares two votes; and one vote more for every additional twenty shares, to the extent of not exceeding six votes.

That if ever the Bank shall lose twenty-five per cent. of the paid up capital, the Directors shall, within twenty days, call a general meeting, and lay a statement of the affairs of the Bank before it, when the Company shall be dissolved; or if any of the Shareholders are desirous to carry it on, they shall be at liberty to do so, after paying the dissentients the value (properly estimated) of their shares.

2nd. That the following Gentlemen be appointed a Committee, to take the necessary steps to carry the establishment into effect, with power to add to their number, appoint a Sub-Committee, and that five shall form a quorum: namely, Messrs. Joseph Armitage, Benjamin Haigh Allen, Joseph Walker, Walter Williams Stables, Thomas Starkey, James Brook, Joseph Brook, William Cliffe, William Brooke of Honley, John Brooke, George Senior, Thomas Anderson, Joseph Roberts, Thomas Lockwood, Abraham Lockwood, Charles Brook, John Oldfield, William Brook of Wellhouse, John Smith, Thomas Joplin, and Joseph Samuel Walker.

3rd. That subscription books be forthwith opened, and left at the offices of Mr. Jacomb and Mr. Laycock, Solicitors, in Huddersfield; to either of whom applications for shares may be made, but the same are to be subject to the approbation of the Committee.

4th. That Messrs. Rawson, of Huddersfield, be requested to accept the office of Treasurers *pro tempore*.

5th. That the Committee shall call a meeting of the subscribers on

the 6th day of April next, or as soon as the proposed number of shares shall be taken.

6. That these Resolutions be published in the Leeds, Huddersfield, and Wakefield Newspapers, and such others as the Committee may appoint.

JOSEPH ARMITAGE, Chairman.

The Chairman having left the chair, the same was taken by Benjamin Haigh Allen, Esq., when

It was Resolved—That the thanks of this meeting be given to the Chairman, for his able and impartial conduct in the chair.

B. HAIGH ALLEN.

The following plan appears to be thought well of by the principal people of Manchester, and it is probable will be started in that town.

SUGGESTIONS FOR THE ESTABLISHMENT OF BANKS IN
MANCHESTER, LIVERPOOL, AND OTHER TOWNS,
UNDER THE TITLE OF UNION BANKS.

THERE is no part of the kingdom more affected by the shocks to which our general system of currency is liable, than this important manufacturing and commercial district. The late panic, by producing a sudden scarcity of money, and suspending for a time the payment of nearly all accounts and all expenditure which could be avoided, reduced at once the retail dealers throughout the country to the necessity of discontinuing both their payments and their orders, and our manufacturers were in consequence thrown out of employment, and starved in the midst of plenty. This at least was a principal cause of the late sufferings, which have been more or less perpetuated by the effect of this state of things upon our foreign trade. To no part of the kingdom, therefore, is a general improvement in our Banking system more desirable than this.

It is needless, after the discussions which have taken place on the subject, to say that the improvement required is the general establishment of Joint Stock Banking Companies. These, by an Act of the last Session of Parliament, may now be instituted in any part of England situated upwards of sixty-five miles from London; and those who are aware of the powerful influence of example, need

no arguments to convince them that the best mode of promoting the general improvement desired, is to commence it.

To this there is every encouragement which a prospect of success in such undertakings can afford. Public Banking Companies are constrained, by the nature of their constitution, to conduct their transactions on the most regular and legitimate principles, and there are very few instances on record in which they have not been eminently successful. The prosperity of the Banks of England and Ireland are sufficiently well known, and the success of the Scotch Banks has not been at all inferior. There are thirty-four in that part of the kingdom, ten or twelve of which are Public Companies, some of them possessing £1,000,000. of capital and upwards, and their different stocks may be stated at from one to three hundred per cent. premium. There are instances indeed of much greater success. The shares of a Bank in Aberdeen, the original cost of which, forty years ago was £150., have been sold for £2,200.

A writer in the Edinburgh Review observes, that there is as much business done in Lancashire in a week as there is in Scotland in a year. There does not, however, admit of a question, that this district presents a much better field for Banking than Scotland, or than any other provincial part, at least, of the kingdom.

There is little doubt, consequently, that Public Banks may be formed in it, with great advantage to their Shareholders, as well as with great benefit to the public, and the following plan, for the establishment and union of a certain number of these Companies, is suggested.

Let Banks, to be termed the Union Banks of the towns in which they are situated, be established at the under-mentioned places, with the amounts of capital specified :—

MANCHESTER	£3,000,000
LIVERPOOL	2,000,000
BOLTON	200,000
BLACKBURN	200,000
PRESTON	200,000
MACCLESFIELD	200,000
STOCKPORT	200,000
ROCHDALE	200,000
ASHTON	200,000
OLDHAM	200,000
In towns to be hereafter named	400,000
	<hr/>
	£7,000,000
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One-third of the capital of the Manchester Bank, and half the capital of the other Banks, to be subscribed upon the spot; after which, the Manchester Bank to subscribe the remaining half of the capital of the other Banks, and they in return to subscribe an equal amount in the capital of the Manchester Bank. The subscriptions to the Union Bank of Manchester will consequently stand thus :—

By the Public	£1,000,000
By the Liverpool Bank	1,000,000
By the Bolton ditto	100,000
By the Blackburn ditto	100,000
By the Preston ditto	100,000
By the Macclesfield ditto	100,000
By the Stockport ditto	100,000
By the Rochdale ditto	100,000
By the Ashton ditto	100,000
By the Oldham ditto	100,000
By the Banks to be hereafter named	200,000
	<hr/>
	£3,000,000

The subscriptions to the Union Bank of Liverpool will likewise be as follow :—

By the Public	£1,000,000
By the Manchester Bank	1,000,000
	<hr/>
	£2,000,000

and the shares of every other Bank will be apportioned in the same manner *.

The Manchester Bank to be managed by nine Directors, the Liverpool Bank by seven, and every other Bank by five, to be chosen by the local Shareholders of each Bank respectively.

A meeting to be held every month in Manchester, consisting of the Chairman of each Bank, and the Directors of the Manchester Bank, which meeting shall determine such questions as refer to the general interests of all the Banks, make laws for their general government, and form a court of appeal on any point referred to it, with regard to the transactions of any particular Bank.

* The centricity of Manchester, and the intimate connexion which subsists between it and the other towns, appear to render it the proper place for the chief establishment; but the real capitals of Liverpool and Manchester, it will be seen, are proposed to be the same. These views, however, it must be observed, are merely offered as suggestions.

To this meeting weekly or monthly general balance-sheets of the affairs of each Bank shall be submitted, but which shall not contain the particulars of personal accounts. To inspect the personal accounts, the Manchester Directors shall choose a Committee of three, to whom the other Banks shall each render the amount of discounts and advances to its different customers, and such particulars of personal accounts and transactions as may be required ; and, on the other hand, the Chairmen of the other Banks shall appoint three of their number to examine the state of the personal accounts, &c. of the Manchester Bank. These Committees to have no other power than to submit any question which they may think necessary to the consideration of a monthly meeting, such meeting having the power to proceed in any way it may think most advisable for the benefit of the Bank concerned.

The Shareholders of each Bank to be indemnified out of the capital stocks of the rest, for any loss it may incur beyond the amount of their subscriptions. If any one Bank shall lose one quarter of its subscribed capital, the local Shareholders to be at liberty to dissolve the concern ; and if the united losses of all the Banks shall ever amount to one quarter of the capital paid up, the whole of the Companies to be dissolved *ipso facto*.

After one-half of the capital is paid up, any farther calls to be paid, or not, at the option of the Shareholders; the Bank being at liberty to sell stock to the amount of the calls not paid.

The advantages of this plan are considerable. By uniting the capital of all the Banks in supporting the credit of each, a much smaller amount will be necessary than if they were separate establishments: like a bundle of sticks they become strong by being united. In the management likewise of a large Bank, the business is always transacted by different Committees, who are responsible to, and whose proceedings are reviewed by, general meetings of the court; and by this plan each Bank will be managed by a resident Committee, responsible to and reviewed by the monthly court; but possessing the additional stimulus of a personal interest in the success of their own management, besides the responsibility they will be under to the local Shareholders, by whom they are elected. The superintendance also of one general court being thus rendered applicable to ten or a dozen Banks, five or seven Directors fewer may be appointed to each than would otherwise be required. By this not only will the expence of so many Directors be saved, but that publicity will be avoided which is apt to deter men from submitting their

money transactions to the knowledge of a large body of persons resident on the spot. An oath of secrecy might likewise be administered, which would not only assure the public that secrecy would be observed, but would enable the Directors to refuse information without offence *.

It will be proper also to observe, that many persons feel an objection to take shares in a Bank, without an Act of Parliament, or Charter, to limit the responsibility of the Shareholders to the amount of their subscriptions ; and, considering the present state of Banking in this country, the objection is not unreasonable. But to those who are at all accustomed to employ their capitals in commercial undertakings, and to reflect upon these subjects, it is perhaps only necessary to state, that presuming the Bank to have a suitable capital, and to be properly constituted, the necessity for a Charter must presuppose the probability of two things ;—First, that a Committee of Gentlemen, chosen for their wealth and respectability, would attempt to deceive the Shareholders, by endeavouring to keep from them the true state of the Bank, and madly persevere in a losing trade, until they had not only thrown away the whole of that capital, of which they held a part, but had rendered themselves liable, as the most conspicuous Shareholders, to be proceeded against individually for the payment of a deficiency ; and next, that the Shareholders, with their eyes open, would allow them to do so ; for if the Directors were ever so desirous, they could never withhold any serious loss from their knowledge. A Bank, whose funds cannot be withdrawn for private purposes, can only incur loss from failures and causes by which, in general, others suffer as well as the Bank, and which at all events are quite public. As it is not within the reach of possibility that either the Directors or Shareholders of a Bank would act so absurdly, the fears which make a Charter necessary are perfectly chimerical. By this plan, however, these fears are consulted. The checks provided, there is no doubt, will effectually prevent any losses from being incurred, which will materially affect the profits, much less the capital of the Companies, while the clause, that the Shareholders of each Bank shall be indemnified out of the capital stocks of the rest for any loss it may incur beyond the

* The business of the Liverpool Bank will, there is no doubt, take as many Directors to conduct it as that of the Manchester Bank ; but it will be proper to assign one or two more to the latter, in consequence of its having to appoint a Committee to overlook the proceedings of the other Banks. It might be well to retain the power of increasing the number of Directors, should any Bank find a larger number necessary, and *vice versa*.

amount of their subscriptions, and that if ever the total capital be reduced twenty-five per cent., the whole of the Banks shall be dissolved, and their business suspended from that moment, affords the guarantee of a Charter for every practical purpose as effectually as if they had one.

With regard to limiting the power of making compulsory calls ; so long as the Directors have the power of making such calls, the stock will neither be left to trustees for the benefit of children, nor held by people of small capitals, for fear of being called upon for payments which they cannot meet, while no inconvenience can result to the Bank from the limitation proposed. More than a million and a half of capital will not be required until the success of the Companies, and their increasing business, call for an extension of capital, in which case the shares will be at a premium, and the Bank can have no difficulty in selling stock to the amount of any calls not paid. The clause will, no doubt, prevent the Directors from extending the capital, if the shares are at a discount ; but if they can be supposed likely to have the inclination to make calls at such a period, there can be no harm in denying them the power to do so.

Thus, the plan suggested proposes to economize capital by uniting several Banks together ; to increase the energy, and reduce the expence and the publicity of the management, by limiting the Directors to the smallest number possible ; to secure its success by their agreeing to inspect and hold a check over each other, and to render a Charter unnecessary by their mutual guarantee.

While the plan, consequently, holds out the fairest prospects of success, the economy of capital will be felt in the double profit which will accrue to the subscribers. The profits upon £7,000,000. of capital will be divided amongst the holders of £3,000,000. of shares. Did the subscriptions to the Manchester Bank, instead of £1,000,000. amount to £3,000,000. in money, it is obvious when the moderate amount of their capitals, compared to the business they may expect, is considered, that no better mode of employing two-thirds of it could be found than that of investing it in the shares of the other Banks, with the system of management proposed. But by this plan the profit will be obtained without the capital : not only will the Manchester Shareholders have their share of the profits of their own Bank, but they will likewise receive two-thirds of the profits of the other Banks, and the Shareholders of the other Banks will obtain a similar advantage, by not only enjoying the due proportion of their

own profits, but also a corresponding proportion of the profits of the Manchester Bank.

One-third of the capital ought to be called up in the first twelve months, and it is not thought that more than one-half will be required for some years.

**AN ABSTRACT OF THE CONTRACT OF COPARTNERSHIP OF
THE NATIONAL BANK OF SCOTLAND,
WITH OBSERVATIONS THEREON.**

1. Title shall be "THE NATIONAL BANK OF SCOTLAND."
2. Capital £5,000,000., in fifty thousand £100. shares; and Shareholders to be entitled to profit, or liable to loss, in proportion to the number of shares they hold.
3. That shares shall be transferable, but not be divisible into fractional parts.

Note.—There is no advantage in this latter clause, as regards keeping the accounts. It is not more troublesome to transfer a fractional sum, in stock, from the account of one Shareholder to that of another, than to transfer a fractional sum, by cheque, from the account of one customer to that of another; whereas, when the shares are large in amount, and cannot be divided, it is a great clog upon the sale of them. It must, at the same time, be observed, that, though the divisibility of shares would occasion no additional trouble in keeping the stock accounts, it would give more trouble to the counsel who prepared the deed.

4. The business to consist of Banking, in all its branches; and the funds of the Company to be invested in Government securities, or in the stock or shares of any Company, established by Royal Charter or Act of Parliament, or in the purchase of freehold property, or to be lent upon freehold property; but not to be invested in any other way.

Note.—There does not appear to be any great wisdom in these restrictions. If the security be ample, there can be no good reason why a Bank should not lend money upon leasehold, as well as on freehold, property. There are, likewise, many undertakings, sanctioned both by Royal Charters and Acts of Parliament, which no Directors would think of purchasing any shares in; while there are some, such, for instance, as Banks for which there may be no special Act of Parliament, the stocks of which, notwithstanding, might occasionally be

purchased with advantage. These clauses are generally proposed by a Committee not more numerous than a Court of Directors; and there is no reason to think that a given number of men will not be as discreet in practice, with experience, as in theory, without it. Hence some Banks have thought it the best plan to leave it to the Directors to employ the Bank's money in the way they shall, from time to time, think most prudent and advantageous for the Company.

5. That the office bearers of the Company shall consist of a Governor, Deputy Governor, fifteen Extraordinary Directors, and fifteen Ordinary Directors. That the Ordinary Directors shall have the entire management of the Bank.
6. That fifty shares shall be the qualification of an Ordinary Director. That eight Ordinary Directors, at least, shall be either merchants, traders, or manufacturers, in actual business. That no Banker, or Bank Agent, or Director, of any other Bank, shall be eligible to be an Ordinary Director; nor more than one partner of any Company, except Joint Stock Companies with more than fifty partners. That bankruptcy, or insolvency, shall disqualify a Director; and that vacancies occurring in the Direction shall be filled up by the Ordinary Directors, until the next annual meeting.

Note.—The provision that there shall be eight men in the Direction actually engaged in business, shows how much alive the Scotch are to the necessity of Banks being managed by practical men. At the same time, though this regulation may be proper in a large town like Edinburgh, and is the more necessary where it is not unlikely that the great majority of Directors would, otherwise, be lawyers, yet, in smaller places, where the public men do not consist so entirely of lawyers, it may not be so necessary, nor yet so convenient. For instance, people in any particular business will seldom keep their accounts with a Bank in which there is a Director who is their rival in trade; yet, in a small town, where the leading people are all in one business, if it were necessary to choose Directors actually engaged in trade, it might be impossible to avoid choosing a Director, who would drive from the Bank all the best business of the place. Retired men of business will, in general, prove the best Directors. The principle, however, laid down in this clause ought, at all times, to be kept in view: a majority of the Directors should consist of men, whose knowledge of business has arisen from a practical acquaintance with it.

7. That there shall be, annually, one general meeting. That the dividends shall be yearly, and be declared at this meeting. That three Directors shall go out yearly, and not to be eligible to be re-elected for one year; and that the new elections shall be made at this meeting. That a general meeting, at any time, may be called, upon the requisition of five of the Ordinary Directors, or one-fifth, in number and value, of the Shareholders, addressed to the Secretary, stating the object of the meeting; but no other subject shall be discussed but that stated in the requisition.

Note.—The Banks of England and Ireland make half-yearly dividends, and have half-yearly meetings; but it will be found more convenient to have only yearly meetings, as here laid down, whether the dividends be paid half-yearly or not.

8. That Shareholders may vote by proxy; that the holder of five shares shall have one vote, twenty shares two votes, fifty shares three votes, and one hundred and upwards four votes.
9. That at general meetings the ordinary Director shall appoint the Chairman. That at all meetings of the ordinary Directors, the highest on the list, or oldest Director present, shall be Chairman.

Note.—It would be found, in practice, most convenient to make that Director Chairman, who, by the rotation of his attendance to the Bank's business, was at the time best acquainted with it.

10. That there shall be, at least, twelve meetings of the Board of Directors every year; besides daily meetings of a certain number of the Directors, as may be found necessary in conducting the business.

Note.—Almost all Public Banks hold a Court of Directors once a week.

- 11 and 12. That the Directors shall make all regulations for conducting the business, and appoint and dismiss officers.
13. All officers to give security; but the Manager for not less than £15,000., Secretary £10,000., Accountant £3,000., and Tellers £2,000. each.
14. The Directors shall have power to form branch establishments, and appoint agents and local Boards of Directors, as they shall see proper.

15. That the Directors shall have power to build, purchase, or rent a house for the Bank.
16. That the Directors may apply for a Charter.
17. That ten per cent. of the capital be paid up; that the Directors shall have power to call for other ten per cent., giving three months notice of such call; that the Directors shall have the power of selling or forfeiting the shares of, or of proceeding in a compulsory manner against, those Shareholders who do not pay their calls; but that no further calls shall be made without the authority of a general meeting.
18. That no person shall be allowed to subscribe, in the first instance, for more than a thousand shares.
19. That the Company may deal in its own shares.
20. That the Company may advance money on security of the shares of the Bank, to the extent of one-half of the amount paid upon them. That cash accounts may be granted on proper security, real or personal; but if on personal bond there shall be two sureties besides the borrower. That no Director shall have a voice in judging of the propriety of any advance made to himself, or to any house in which he is a partner, except it be a Joint Stock Company, with upwards of fifty partners.
21. That each of the Directors, and other officers, shall only be personally liable for acts and defaults of their own.
22. That no transfer shall be made until the first call of ten per cent be paid; nor share sold until it be offered to the Company, and the Directors have had three days to consider the offer; nor shall any share be sold for less than the terms on which it has been offered to the Company.
23. That on the bankruptcy, or insolvency, of any party, his shares shall be sold and transferred to other parties within twelve months, or the Directors shall be at liberty to sell them.
24. That if the shares of a partner be arrested in the hands of the Company he shall, in three months, loose the arrestment, or the Directors shall be at liberty to dispose of them.
25. That all transfers of shares shall be prepared under the authority of the board of Directors, according to forms which shall secure them being regularly executed.
26. That the party purchasing a share shall step into all the responsibility of the party who sells it, and the Company

shall guarantee the Shareholder who sells it from all further responsibility.

27. That the notes, bills, &c. of the Company, shall be signed by such officers as the Board of Directors shall appoint.
28. That the Company shall sue and be sued in such way as shall be appointed by the Directors, or as may be appointed by Charter or Act of Parliament.

Note.—At the time this deed was preparing, I believe there was an Act of Parliament in progress, or in contemplation, on this point.

29. That the books shall be balanced once a year, and a balance sheet made out; and that the Directors shall appoint three of their own body, or three Shareholders to audit the same. That the account shall be submitted to the annual meeting, and lie fourteen days for inspection.
30. That there shall be no dividend the first year. That the amount of dividends shall be fixed at the discretion of the Directors, and paid yearly.
31. That if the Company shall lose a quarter of its capital in any one year, one-fourth, in number and value, of the Shareholders may dissolve it; or if it shall, at any time, lose one-half of its capital, any individual Shareholder may dissolve it.

Note.—This is better arranged in the Huddersfield Bank, for which see its Prospectus.

32. That the Directors be authorised to sell shares, in liquidation of debts due to the Company.
33. That the conditions of this contract shall bind female, as well as male, partners.
34. That the clauses of the deed may be altered by a majority of the Shareholders, at a general meeting.

Note.—There are certain fundamental laws, which ought not to be altered without the consent of every Shareholder, at least if he be legally capable of giving it: such, for instance, as that contained in clause 31. It may also be proper to observe, that whenever the Shareholders alter the deed, the resolutions for that purpose ought to be prepared by counsel; for they become part of the deed, and require to be prepared with as much care as the original instrument.

35. That all disputes between Shareholders, or between the Shareholders and the Directors, shall be left to the Dean of

the Faculty of Advocates, or to the Master of the Merchants' Company of Edinburgh, for the time being.

36. Prescribes the mode of signing the deed by Shareholders at a distance.
 37. That, at whatever date the deed shall be signed, the contract shall be held to have commenced on the 1st of March, 1825.
 38. That the parties bind themselves to fulfil the obligations of the deed, under a penalty of £500.
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An abstract of the deed of the Lancaster Bank has also been published. It is nearly the same, in its leading features, as that of the National Bank of Scotland. It has one clause, however, which has laid the basis of some discussion by the Banks which have been subsequently formed, namely, that not more than a thousand pounds shall be advanced to any individual, or firm, without security.

It is bad to recognise, as a principle, that money shall ever be lent without security. Whenever it is so advanced, the case ought to be a particular exception to a general rule, and the parties ought not only to be good customers to the Bank, but so notoriously safe and wealthy as to leave no rational doubt whatever, on the mind of any Director, as to the propriety of the transaction. Now to such parties, if they wanted money, a thousand pounds would seldom be worth accepting, and to parties less known it would hardly be prudent to make such advances at all. The clause, therefore, ought either to be left out; or otherwise be, that money shall never, in any case, be lent without security. It will, no doubt, be the general tendency of the management of every board of Directors, to obtain security at all times. A different course would be attended with too much trouble and anxiety; but it might deter people from opening accounts with the Bank, if it were made a fun-

damental law. It might be made a law that the Directors should not make advances to themselves without security, for this they ought not to do under any circumstances ; or to any party without a certain number were present, in order that the measure may be properly considered. But it may safely be left to the Directors, I am persuaded, in every properly constituted Bank, to make to the public such advances or not, as may be dictated in each case by the safety and interests of the Company.

Since the above was in the hands of the printer, I have been favoured with the following abstract of the deed of the Huddersfield Bank, with which great pains has been taken by the intelligent Committee and able Solicitors of that establishment. The clauses are better arranged than is usual in deeds, and I have, for the sake of additional perspicuity, divided them into their respective classes, and entitled them accordingly.

ABSTRACT OF THE DEED OF SETTLEMENT OF THE HUDDERSFIELD BANKING COMPANY,

DATED JUNE 1, 1827

PARTIES.—Benjamin Haigh Allen, Joseph Armitage, and Joseph Walker, Esquires, of 1st part; Messrs. William Brooke, Joseph Brook, William Walker Battye, and John Smith, of 2nd part; the Shareholders, of 3rd part.—
Recites 7th Geo. IV. cap. 46, authorising the formation of such Companies.—The parties mutually covenant with each other in manner expressed in the several Articles numbered from 1 to 75.

ART.

Title.

1. To be called “THE HUDDERSFIELD BANKING COMPANY.”

Capital; Limitation as to Shares; Profits to be equally divided.

2. The capital £500,000. in five thousand shares of £100. each.
3. No person to hold more than one hundred shares before the 1st July, 1828; nor more than two hundred after that time: and no transfer to take place until after 1st July, 1828.

4. No two or more persons to hold shares jointly (except as Trustees or Executors) : nor shall any share be divisible into fractional parts.
5. Profit and loss to be divided among Shareholders in proportion to their shares.

Calls.

6. Ten Pounds per share to be paid 1st June, £5. per share 1st August, and £5. per share 1st October : no further calls after 1st July, 1828, and then limited to £5. per share per annum, of which three months previous notice to be given.

Rules as to Directors.

7. The business to consist of what is usual in Banking establishments.
8. And to be under controul of seven Directors
9. B. H. Allen, Joseph Armitage, Joseph Walker, William Brooke, Joseph Brook, William Walker Battye, and John Smith, the present Directors.
10. Directors to meet at the Banking-house of the Company as often as shall be thought necessary ; three to constitute a Board.
11. Chairman of Board of Directors to be appointed, and to give casting vote.
12. Book of proceedings of meetings of Directors to be kept by the Manager.
13. Board of Directors to purchase, erect, or take suitable Bank Offices.
14. _____, to appoint London Bankers, Manager, and other Officers, and to displace them ; and to pay them suitable salaries and take security from them.
15. _____, to appoint two public Officers, for the purpose of suing and being sued, pursuant to 7 Geo. 4: and also to appoint Trustees.
16. _____, to make advances, &c. but any two of the Directors dissenting from such proposed advance, it shall be refused.
17. Directors not to vote when interested personally or through family connexion.
18. _____, to keep proper books ; to be balanced twice a year, namely, on 30th June and 31st December.

Annual Meeting.

19. The general annual meeting of Shareholders to be held last Wednesday in July 1828; and on that day in each succeeding year.
20. Directors to exhibit at such meeting a statement of the affairs of the Company, as taken on the then previous 30th June, and the dividend for the preceding year shall be then declared.

Dividend and surplus Fund.

21. No dividend of profits for the year ending 30th June 1828 : — In succeeding years profits to be divided amongst Shareholders, subject to the laying apart of such a sum as the Directors think necessary, for a *surplus fund*.
22. The surplus fund is intended to meet extraordinary demands ; when it exceeds £25,000 the excess shall be then either divided among the Shareholders, or suffered to accumulate still further.

Election of new Directors.

23. The mode in which the Directors shall retire.—The seven present Directors two months previous to the general meeting, in July 1828, shall determine the order in which their names shall be entered in a book ; the two at the top of the list shall retire ; the two incoming Directors shall be placed at the foot of the list, and they two shall draw lots for the order in which they shall stand in the list ; so that the two Directors at the head of the list shall always be the retiring Directors.
24. The mode of electing new Directors.—The board of Directors shall, fourteen days previous to the general meeting, put up in the Bank the names of two Shareholders, whom they would recommend to be the incoming Directors ; no person to be proposed as a new Director, unless notice be left seven days previous to the meeting, at the Banking-house, mentioning the names of the persons intended to be brought forward.
25. List of persons qualified to be Directors to be hung up in the Banking-house, one month previous to the meeting.
26. No person to be a Director who shall not hold thirty shares, or who shall have been bankrupt, &c. ; or who shall be a Banker, or Agent to, or Director in, any other Banking Company ; or who shall be a partner of any other Director.

Various Regulations as to Directors.

27. Directors to vacate their office on non-attendance.
28. Directors may expel any one of their body in case they be unanimous.
29. Directors, &c. may resign their office.
30. Directors may appoint interim Directors in case of death, resignation, or disqualification of any of the Directors; the interim Directors, if approved of at the next general meeting, shall remain in office so long as those whom they represent would have done.
31. Directors to sign declaration of secrecy.
32. Directors not to act contrary to these articles ; but may make bye-laws, &c.

Regulations respecting Shares, &c.

33. Shares to be forfeited on non-payment of calls ; or Directors may waive such forfeiture by imposing a fine ; or may sue the parties at their option for such calls.
34. Board of Directors may authorise the Manager. &c. to sign notes, &c.
35. After a dividend declared, notice of it must be given to Shareholders.
36. List of Shareholders to be kept, and from time to time corrected by the Manager, on notice being given to him of the change of residence and circumstances, &c. of Shareholders.
37. Letters sent to Shareholders by post to be sufficient notice.

Branch Banks.

38. Board of Directors may establish Branch Banks.

Powers to Directors.

39. To have the conduct of all actions brought against public Officers, &c.
40. To commence legal proceedings against any person or persons whether Shareholders or not.
41. To submit disputes to arbitration ; compound bad or doubtful debts ; and sign Bankrupts' certificates.
42. To invest surplus funds, and to change the securities as often as they think proper.

Meetings of Shareholders, and Regulations as to Voting.

43. At all meetings of Shareholders, the Chairman of the Board of Directors, if present, or one of the Directors, or if no Director be present, then some person to be elected by the meeting, shall be such Chairman.
44. The holders of five shares (but not under) shall at such meetings have one vote ; twenty shares two votes ; and an additional vote for every twenty shares ; but not to exceed six votes in the whole. If twenty Shareholders wish it the votes may be taken by ballot ; and one of the Directors, and two Scrutineers, to be chosen by the meeting, shall retire, and report the result of the ballot.
45. Proxy votes admissible for female Shareholders, Clergymen, or persons residing twenty miles from Huddersfield ; the proxy must be a Shareholder.
46. Shareholders not permitted to vote until calls paid up.
47. No questions to be gone into at meetings unless twenty Shareholders present.
48. Meetings to be adjourned, if twenty Shareholders do not attend within one hour.
49. General power for meetings of Shareholders, to adjourn to a future day.

Remuneration to Directors; Shares liable for Debts; Shareholders not allowed to see the Books.

50. Remuneration (if any) to Directors, to be fixed by general meeting.
51. If any person who may have been appointed by the Board of Directors an interim Director, be disapproved of, the general meeting may elect another in his stead.
52. Individual Shareholders not permitted to inspect books, &c. of the Company.
53. The shares to be in the first place liable to the debts due to the Bank.

Transfer of Shares.

54. Power for Shareholders or their legal representatives (whether as Executors, Administrators, Legatees, Trustees, or Guardians, Committeees, or Assignees) to sell and transfer their shares on giving notice in writing to the Directors of the name of the

purchaser, and the price agreed to be given; but the Board of Directors on behalf of the Company is to have the previous right of purchasing at the same price as such purchaser may agree to give: If the Directors do not for the space of seven days agree to take the shares, they may be then transferred to the purchaser, if he be a person approved of by the Board.

55. If proposed purchaser be not approved of by Board of Directors, the person desirous of selling his shares must find another purchaser satisfactory to the Directors; and no voluntary assignment shall be valid without the consent of the Directors.— If the shares be sold to any person at a less price than stated in the notice to the Board of Directors, or if the real price agreed to be given should be falsely stated, the Board of Directors may declare the shares to be forfeited.
56. Executors, Administrators, Legatees, Trustees, Guardians, Committees, Assignees of Bankrupts or Insolvents, may receive dividends due at death, lunacy, bankruptcy, or insolvency, of those whom they represent, without being admitted Shareholders; but such persons shall not be entitled to receive future dividends, until they are admitted Shareholders.
57. But if the several persons mentioned in the last article, intend to retain the shares of the persons whom they represent to their own use, they may have such shares transferred to them on being approved of by the Board of Directors.
58. Board of Directors to decide upon a form of transfer.

Executing Deed, &c.

59. The present Shareholders omitting to execute this Deed, and the future Shareholders omitting to execute a deed of covenant to abide by the same within three months, after public advertisement of such deeds being ready for signature, shall forfeit their shares; or the Directors may waive the forfeiture by imposing a fine.
60. Incoming Shareholders to stand in the place of the outgoing ones; and persons whose shares are declared to be forfeited, shall be free from further calls and future liability.
61. Power to Directors to sell the purchased or forfeited shares.

Inspectors to be appointed by Shareholders.

62. Power to general meeting, to appoint three inspectors in case they be dissatisfied with the statement of the affairs of the Company made by the Directors at such meeting.

Extraordinary Meetings.

63. Power to two extraordinary meetings, or one ordinary and one extraordinary meeting, to increase the capital ; the number of Directors ; and make new laws, &c. ; or apply for Charter or Act of Parliament ; or dissolve the Company : But the question of a dissolution of the Company to require the consent of three-fourths of the Shareholders.
64. Power to Directors to call such extraordinary general meeting of Shareholders, for all or any of the purposes mentioned in the last article.
65. Power to twenty Shareholders, the aggregate amount of whose shares shall not be less than five hundred, to request the Directors to call extraordinary general meeting ; and in case Directors refuse, the Shareholders may call one of their own authority.

Regarding Trustees.

66. Receipts of Trustees for shares to be sufficient discharges.
67. Securities taken in names of Trustees, to be subject to control of Directors ; and Trustees to execute a declaration of trust.
68. Receipts of Trustees or Directors, to be sufficient discharges.
69. Mode of appointing new Trustees.

Indemnity to Directors ; disputes to be left to Arbitration.

70. Indemnity to Directors, &c. when legally acting.
71. Disputes between Shareholders as to the articles contained in this deed, or otherwise, to be referred to arbitration.

Dissolution of the Company.

72. Power for any one or more Shareholders, at any extraordinary general meeting, to require that the Company be dissolved, if ever the surplus fund, and one-fourth part of the then paid up capital be lost ; unless two-thirds of the Shareholders are willing to carry it on, and pay off and indemnify the dissentients.
73. If at any two extraordinary meetings of Shareholders, it shall have been determined to dissolve the Company, the Directors to wind up the affairs thereof.

Deed to be enrolled and Charter may be applied for.

74. Deed to be enrolled and deposited as Directors shall appoint.
75. The Board of Directors may apply for a Charter, or Act of Parliament, with consent of two extraordinary general meetings of Shareholders.

P E T I T I O N
ON
THE SUBJECT OF THE CURRENCY,
REFERRED TO IN THE PREFACE.

It was presented in the Session of 1823.



*To the Honourable the Commons of the United Kingdom of Great Britain
and Ireland, in Parliament assembled.*

THE HUMBLE PETITION OF THOMAS JOPLIN,

SHEWETH,

“ 1. That, in matters of importance to the interests of the country, your Petitioner is convinced that your Honourable House is ever ready to receive and consider any views that may present a prospect of being useful.

“ 2. That this disposition having been more particularly evinced with regard to the difficulties under which our Agriculturists at present labour, your Petitioner has been induced to submit this Petition to the consideration of your Honourable House.

“ 3. That your Petitioner has been advised to this with a view to call your attention to a few leading principles which, amongst others, he has elsewhere discussed, and which the judgment (perhaps too favourable) of those who have been consulted upon the subject, has led them to think are entitled to consideration.

“ 4. That your Petitioner attributes the present low price of agricultural produce to a contraction of the country circulation^a, produced by the Banks charging above the natural market rate of interest^b.

^a The country circulation had been diminished to the extent of ten millions at least.

^b The subsequent propositions support the principles of this one, or arise out of it.

" 5. That your Petitioner conceives, that though the steps taken by the Bank of England, to pay in cash, have magnified the evil, a contraction of the currency and the present agriculturcl distress would have taken place, if the Bank had not been ordered to resume cash payments; and that the repeal of Mr. Peel's Bill would have no effect in extending the circulation^c.

" 6. That an extension of the currency, notwithstanding, is the only means by which the evil can be cured; and the only manner in which it will be cured, if it be left to cure itself^d.

" 7. That although it has been usual to attribute all fluctuations in the price of corn to fluctuations in the supply, yet your Petitioner is induced to believe, that, except in years of scarcity, the variations in price from supply alone would not exceed 10 or 15 per cent.^e

" 8. That your Petitioner, in support of this opinion, begs leave to remind your Honourable House of the scarcity in 1783, without any rise in the price of corn^f; and of the abundance in 1801, both from home and foreign supply, when corn rose more than 30s. per quarter above the price it had borne in the year of scarcity before^g. From these facts, it is at least probable, that the price of corn is more affected by the state of the currency than has been hitherto supposed.

" 9. That as, in the discussion of a subject upon which there are such conflicting opinions, it is ever necessary to revert to first principles, your Petitioner will assume it as undisputed, that money is merely a measure of value, and that each nation requires a certain

^c The repeal of Mr. Peel's Bill was at this time loudly called for out of Parliament, as well as by a party in it.

^d This has been verified. The circulation of the Country Banks had been increased six or seven millions previous to the late panic.

^e The Author has endeavoured to prove this proposition in his Letters, by accounting for all the fluctuations in the price of corn during the last century, on principles of Currency.

^f Prices of Wheat at Windsor Market, Winchester measure—

1781.....	£2 12 6	per quarter
1782.....	2 13 9	ditto
1783.....	2 14 2	ditto
1784.....	2 13 9	ditto

^g Average Prices of Wheat in England and Wales—

1789.....	69s. per quarter
1800.....	105s. ditto
1801.....	120s. ditto

In April, 1801, the average price was 156s.

quantity for the purposes of its circulation. That, with a metallic currency, or with a paper currency payable in gold, when the circulation is deficient, gold will be imported; and when redundant, it will be exported; and that there cannot be any better test of such deficiency than its importation, or any better test of such redundancy than its exportation.

" 10. That since the circulation of this country has become principally engrossed by the notes of Banks, another test, by which to judge of the demand for money, as a circulating medium, has been assumed, viz. that the country does not require more than the Banks can keep in circulation, and it has, in consequence, been supposed that Bank issues are the effect of high prices, and not the cause.

" 11. That your Petitioner conceives that this supposition has been made by practical Bankers from the confined limits of their own experience, and, though widely diffused, is entirely erroneous.

" 12. That this may be proved from a Report of a Committee of your Honourable House on the Bank resuming cash payments, wherein it is stated, that an influx of gold into the country occurred in 1815, 1816, and 1817, by which an existing deficiency in the circulating medium was proved; while, at the same time, by an account of stamps issued to Bankers, it appears that a considerable reduction in the demand for notes had taken place. That, consequently, the country either had not a demand for gold, although there was an importation of it, or it had a want of Bank Notes, although the Banks could not keep them in circulation. The former being altogether absurd, the latter must have been the fact.

" 13. That money has two kinds of value, governed by different principles, which, for the sake of perspicuity, may be termed its exchangeable and its interest value. The first is, its value as a circulating medium; the last, its value as the representative of, or means of, purchasing commodities, and that they have not necessarily any connexion with each other.

" 14. That, by the present system of our currency, the interest value of money continually operates upon its exchangeable value; and that, instead of the interest of money rising and falling, as it would otherwise do, the currency, within certain limits, dilates and contracts, by which the prices of commodities rise and fall.

“ 15. That your Petitioner understands, that the importation of the precious metals into the country at this moment is immense, and that it has existed ever since the ports were closed against the introduction of foreign corn. That this influx of the precious metals, your Petitioner contends, points out at once both the cause and the cure of the present distress.

“ 16. That the proper remedy for the existing evils, is to supply, in the most simple and direct manner, the deficiency in the circulating medium, which is thus proved to exist.

“ 17. That, in order to this, no infraction of Mr. Peel's Bill is necessary.

“ 18. That, with our great manufacturing superiority, no demand upon the Bank of England for gold can arise, until an importation of corn shall have taken place.

“ 19. That an issue of notes may be made until an importation of corn be produced, without any demand for gold being caused by it^h.

“ 20. That, until the deficiency in our circulating medium shall have been supplied either with gold or paper, the balance of payments will continue in our favour, by which, either sooner or later, the deficiency will be supplied.

“ 21. That your Petitioner ventures, with submission, to dispute the assumed principle, that a paper-currency, if payable in gold, may be issued by Bankers at pleasure.

“ 22. That a paper-currency, your Petitioner submits, should be payable in gold, but not issuable without any other controul.

“ 23. That if the currency be issuable by Bankers at pleasure, its being payable in gold is, at all times, an imperfect check upon the

^h At that time the great and increasing demand for our manufactures, and the growing superiority of our exports over our imports, fully warranted the inference that a balance of payments must have continued in our favour until an importation of corn had taken place. The balance of payments, however, since that period, has been turned against us, by a great increase of imports of other commodities, the result of the increased consumption which followed the rise in the prices of agricultural produce, and excessive speculation superinduced thereon. The latter being now over, it is probable that the amount of our imports will again be reduced, and that the exchanges, which have now been in our favour for some time, will remain so, more or less, until an importation of corn has taken place.

amount they issue; and when there is any considerable quantity of gold in the country, no check whatever; while, on the other hand, it does not, in the least degree, prevent their circulation from contracting.

“ 24. That it is not, until all the gold in circulation has been sent out of the country, that it will experience any considerable rise in price compared with paper, however excessive the issues of the paper may be; and that, in 1801, when gold was £4. 5s. per ounce, our currency was more depreciated in value than it has ever been sinceⁱ.

“ 25. That when an importation of the precious metals occurs, a contraction of our paper-currency ought to be rendered impossible; and, on the other hand, when an exportation of them occurs, an extension of the circulation ought to be rendered equally so; but that, with our present system of currency, this inversion of the order of nature continually takes place.

“ 26. That it is generally supposed, that the issues of the Bank of England govern those of the Country Banks, which, for a great maney years was the fact. Your Petitioner, however, submits, that the case is now altered, and that the circulation of the Bank of England does not govern the issues of the Country Banks, in such a manner as to justify any dependence upon it for that purpose.

“ 27. That this is proved by the following statement of the average circulation of the Country Banks and the Bank of England, from the years 1812 to 1818 inclusive, taken from documents furnished by a Report of a Committee of Parliament.

Country Bank Circulation ^k .	Bank of England Circulation.
1812.....£30,303,155	{ Jan. to June£28,123,140 July to Dec..... 23,351,496

ⁱ There was then a general opinion that excessive issues would depreciate the Currency compared with gold, and that the price of gold was the only test of depreciation from excessive issues.

^k The circulation of the Country Banks is ascertained by taking the value of the notes, which would be issued upon the stamps distributed by the Stamp Office each year, and adding three years together. It is computed (Report of Lords' Committee, in 1819, on Cash Payments, p. 408 of Appendix,) that notes last three years, upon the average, and, of course, adding the amount of the issues of the three preceeding years together, will give the circulation of any given period. The calculations of Mr. Sedgwick, of the Stamp Office, upon this subject (see the above-mentioned Report, p. 108,) are equally unintelligible and erroneous.

1813.....	31,816,884	{ Jan. to June	23,939,693
		{ July to Dec.....	24,107,445
1814.....	33,751,105	{ Jan. to June	25,511,012
		{ July to Dec.....	28,291,832
1815.....	31,287,561	{ Jan. to June	27,155,824
		{ July to Dec.....	26,618,210
1816.....	25,468,367	{ Jan. to June	26,468,283
		{ July to Dec.....	26,681,398
1817.....	23,358,772	{ Jan. to June	27,339,768
		{ July to Dec.....	29,210,035
1818.....	27,379,540	{ Jan. to June	27,954,558
		{ July to Dec.....	26,417,859

(See Appendix, p. 411, Report
of the Lords' Committee, in
1819, on the Bank resuming
Cash Payments.)

(See Appendix, p. 323, to Report
of the Lords' Committee, in
1819, on the Bank resuming
Cash Payments.)

“ 28. That, by the above statement, it appears, that in 1812, when the Country Bank circulation was thirty millions, that of the Bank of England was twenty-three; and in 1816 and 1817, when the circulation of the former had been reduced to twenty-five and twenty-three millions, the latter had been increased to from twenty-six to twenty-nine millions, sufficiently showing that, whatever may have been the case formerly, the issues of the Country Banks are not now invariably regulated by those of the Bank of England¹.

“ 29. That, by the above statement, it also appears, that the issues of the Banks have been subject to great and sudden variations.

¹ It was the universal opinion, that the issues of the Bank of England governed those of the Country Banks. It was the main stay of the system which it was necessary to destroy, in order to facilitate the reception of more correct views. For the question would then arise, if the issues of the Country Banks are not governed by those of the Bank of England, what are they governed by? Of the importance of this argument the Chancellor of the Exchequer appears to have been aware: in his speech on introducing the small note measure, he stated, that “ It would be found, on reference to facts, that there was an impossibility of assuming any direct relationship between the amount of Bank of England notes in circulation, and those of the Country Banks; for, singularly enough for such calculations, it frequently happened, that when the former was great, the latter bore no relative proportion in magnitude, and *vice versa*; and what was supposed to be an existing connexion between them was erroneous.” *Vide Times.*

“ 30. That neither these variations, nor those discrepancies in the relative circulations of the different parts of the kingdom at different periods, could have happened with a metallic currency, or with a paper-currency constructed upon similar principles.

“ 31. That if the Banks, generally, were not manufacturers of money, but dealers in it, like the Private Bankers of London, the currency could not dilate and contract as at present, to the great derangement of prices, and alternate injury of the consumers and growers of corn.

“ 32. That these fluctuations could not take place with a metallic currency, the quantity of which Bankers could neither increase nor diminish, and your Petitioner conceives, that a metallic currency is the proper model for a circulating medium.

“ 33. That a self-regulating paper-currency may be constructed on the model of a metallic currency, which shall combine the advantages of both currencies, without the disadvantages of either.

“ 34. That your Petitioner humbly conceives the price of agricultural produce to depend upon the country circulation, and not upon that of the Bank of England; and that an inquiry into the state of it is, upon every account, the imperative duty of the Legislature.

“ 35. That, from the rapidity of the late rise in the price of corn, it appears to your Petitioner probable, that the agricultural distress may soon pass away; but an inquiry respecting it your Petitioner considers not the less necessary, as it ought never to have happened, while it may be desirable to prevent an opposite extreme.

“ 36. That should your Honourable House, either now or hereafter, institute any inquiries on this subject, your Petitioner is ready to substantiate at large the principles he ventures to suggest in this his Petition to your Honourable House, and to submit for your consideration a system of currency, which shall possess all the advantages of paper-money, and yet be, in every respect, as perfect as a circulation entirely metallic.

“ 37. That when our currency shall have been put in order, and the present deficiency in the amount of it supplied, your Petitioner is of opinion that the present distress will be entirely removed, that we shall experience a great increase of internal consumption, an ex-

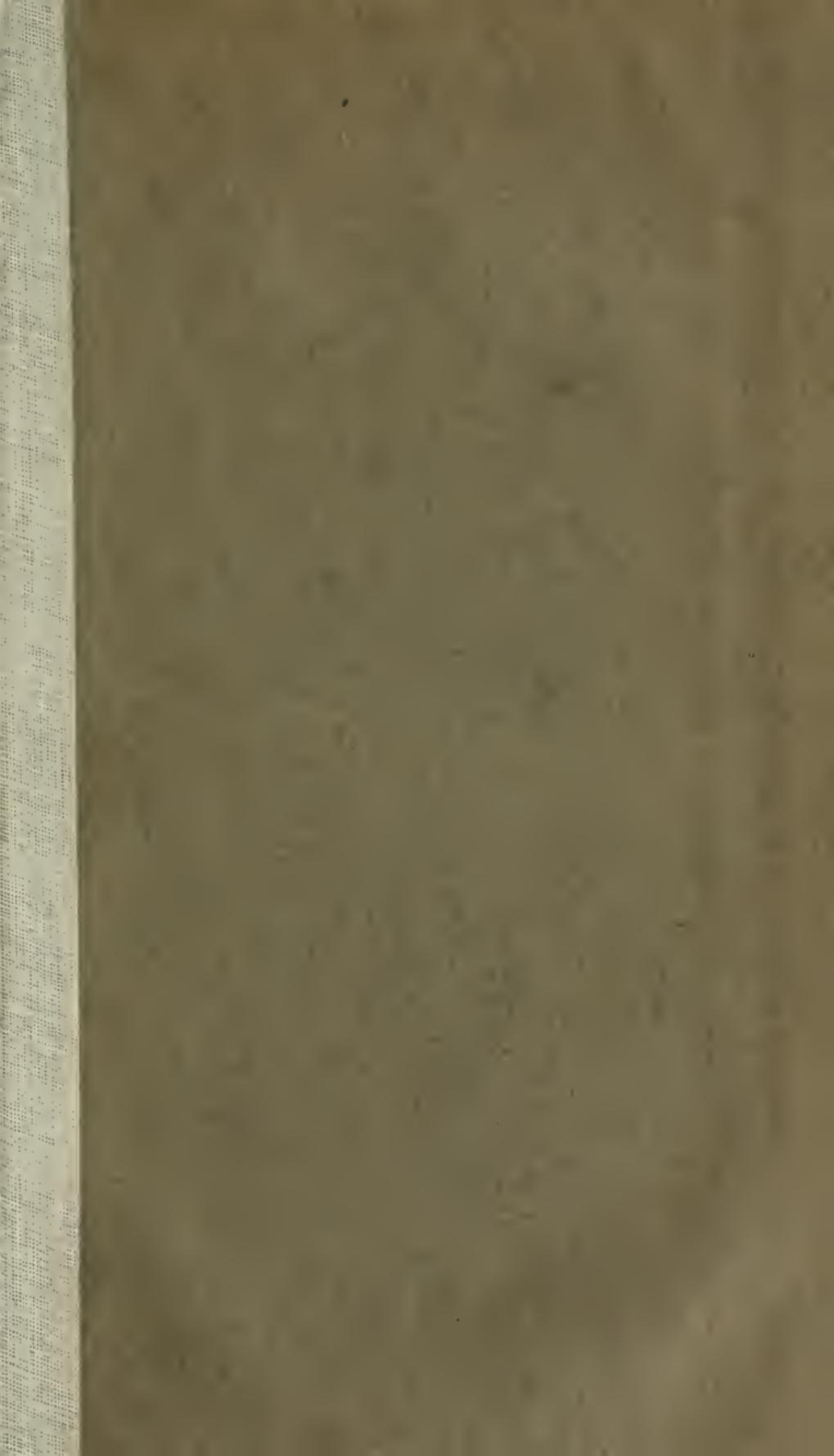
tensive and regular importation of foreign corn, an increased foreign demand for our manufactures, and a great improvement in the revenue.

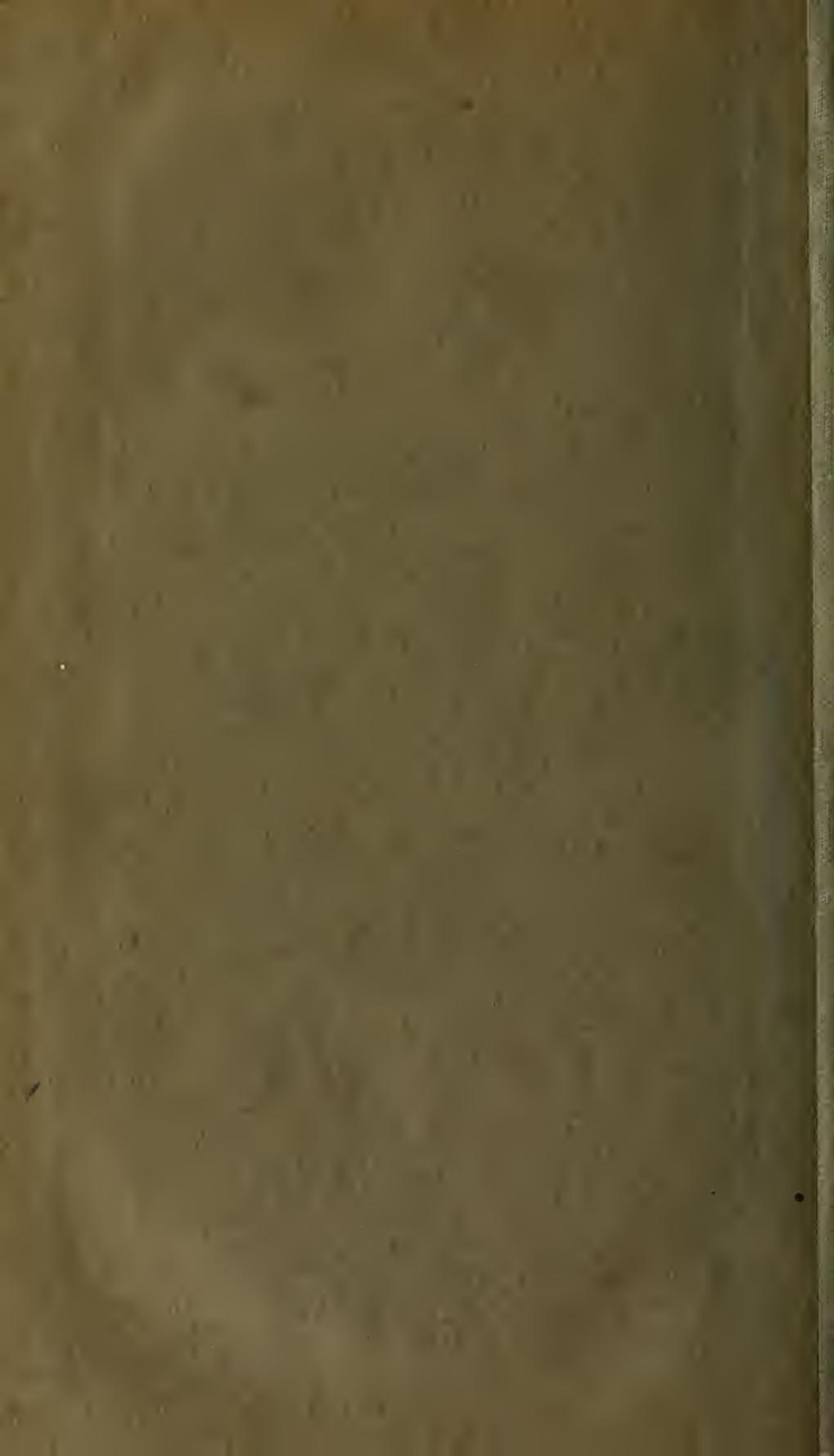
“ 38. That of these advantages we are at present deprived, from an involuntary contraction in the Country Bank circulation having occurred.

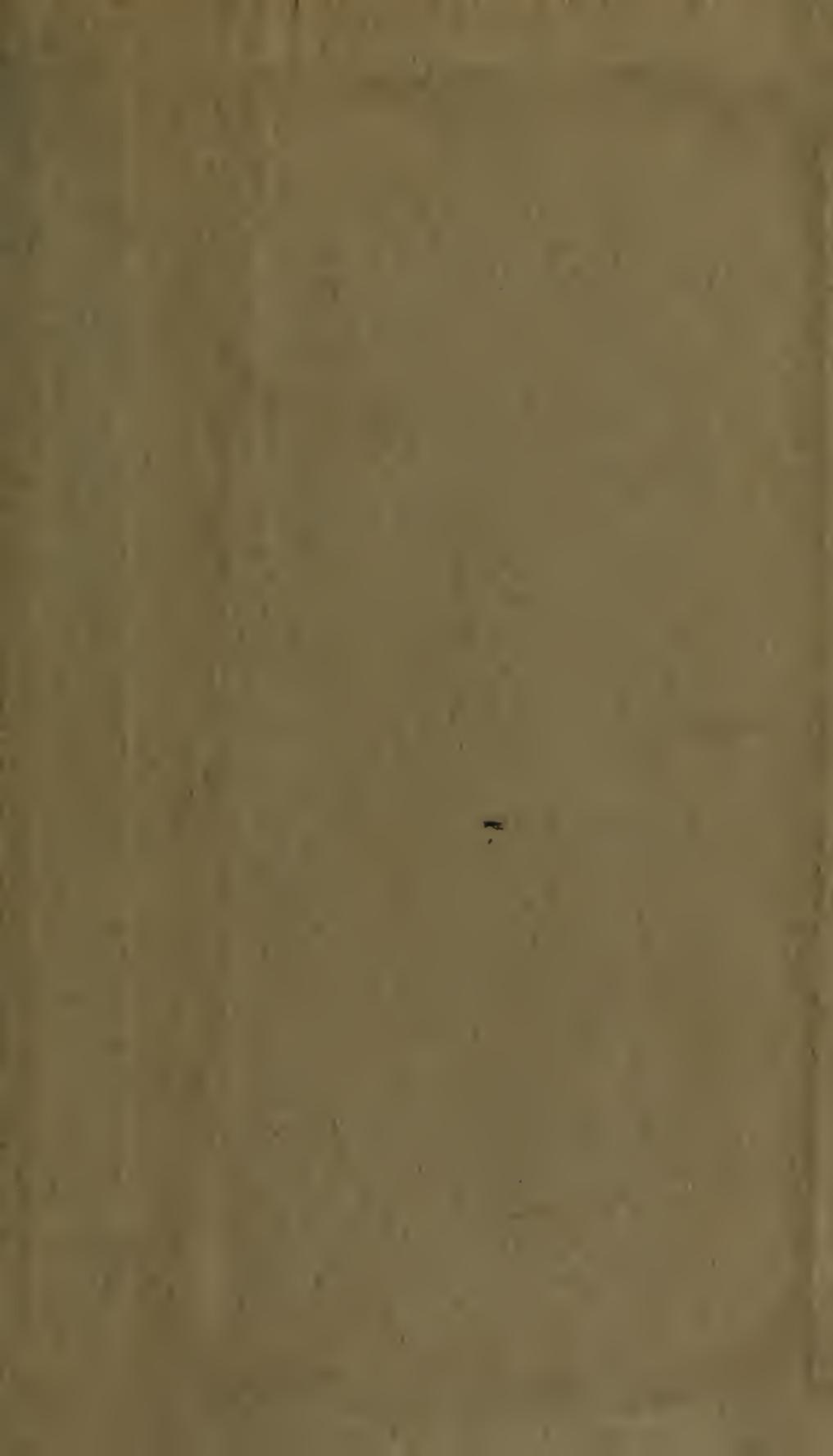
“ 39. That, believing the remedy for the agricultural distress to be simple in principle, and in the power of Parliament to effect, but conceiving it necessary, in order to cure the evil, that the cause of it should be understood, your Petitioner humbly prays,

“ That your Honourable House will institute an inquiry into the state of the circulation of the kingdom, with a view to ascertain whether it is deficient; and if so, whether any immediate remedy can, with prudence and safety, be applied: and also, whether sounder principles for the management of the currency might not be adopted.

“ And your Petitioner will ever pray,” &c.







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